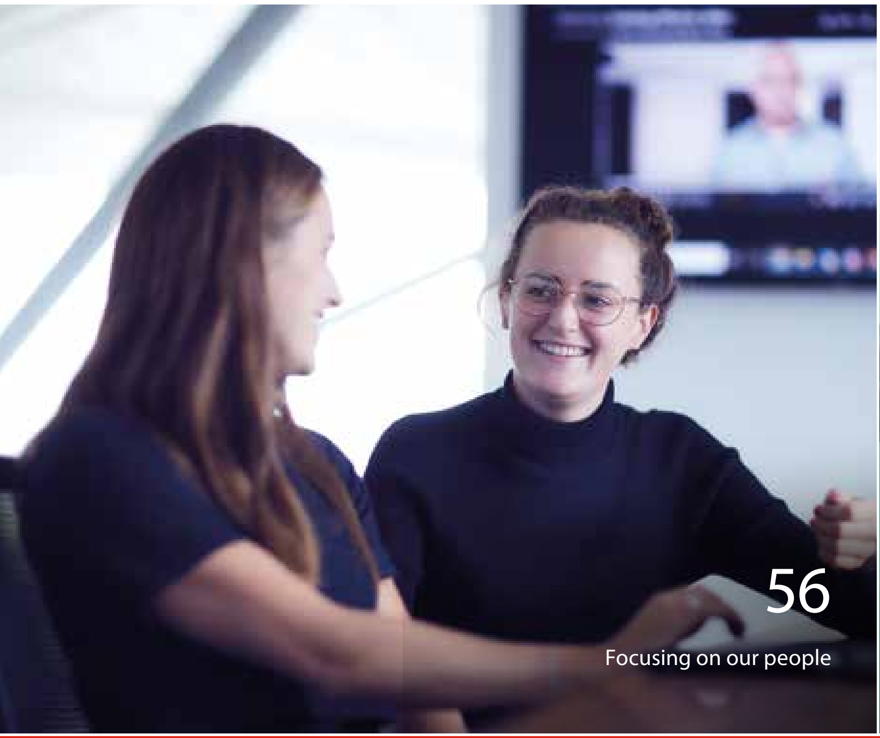
Avon Rubber p.l.c.

A transformed outlook

ANNUAL REPORT AND ACCOUNTS

2019



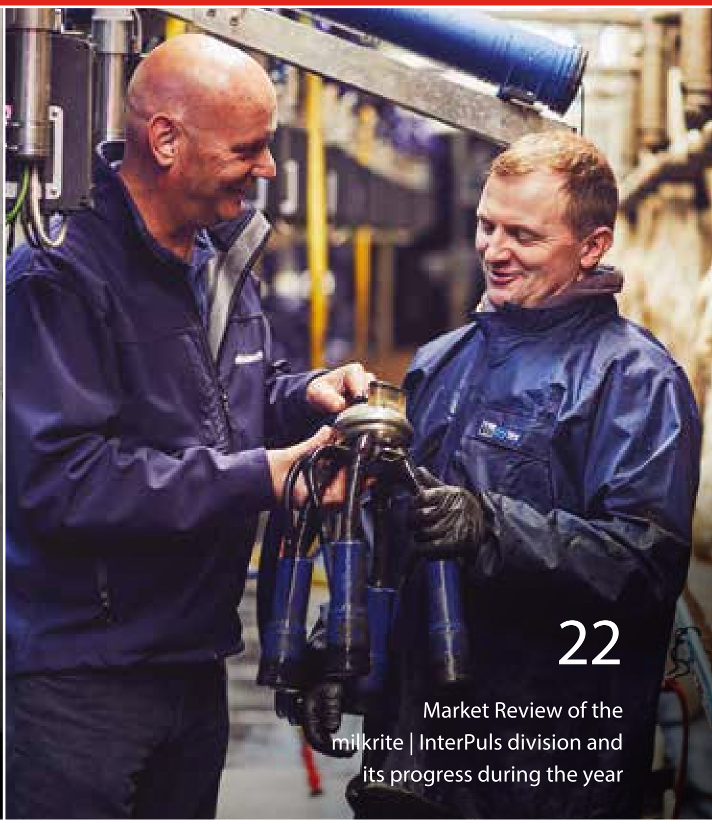
56
Focusing on our people

6
Active trials with MCM100 underwater rebreather

Avon Rubber is an innovative technology group which designs and produces specialist products and services to maximise the performance and capabilities of its customers.

We have transformed the business by delivering against our strategic priorities of **growing the core, selective product development and value enhancing acquisitions**.

4
$340m new contracts with M53A1 and M69



22
Market Review of the milkrite | InterPuls division and its progress during the year

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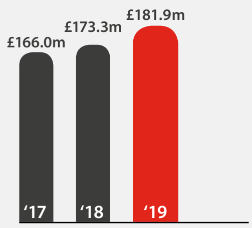
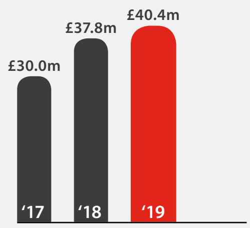
For the latest investor relations information, go to our website at:
www.avon-rubber.com/investors

Group Highlights



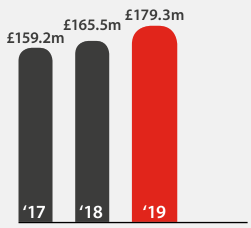
Orders received

£181.9m



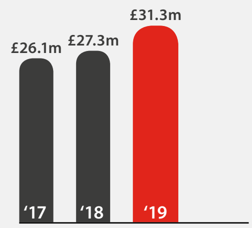
Closing book order

£40.4m



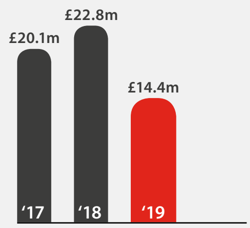
Revenue

£179.3m



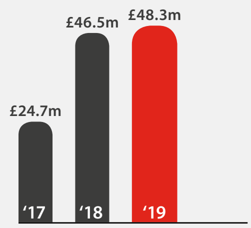
Adjusted operating profit

£31.3m



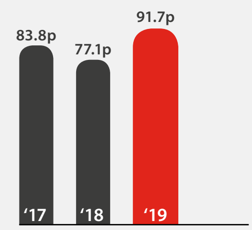
Operating profit

£14.4m



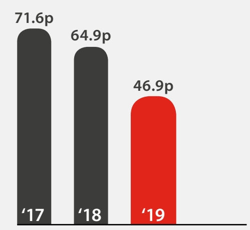
Net cash

£48.3m



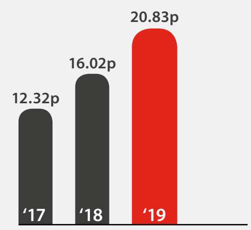
Adjusted basic earnings per share

91.7p



Basic earnings per share

46.9p



Dividend per share

20.83p

A full glossary of terms is available on page 152.

A reconciliation of Operating Profit to Adjusted Operating Profit and Profit for the Year to Adjusted Profit for the Year is available in note 2.2 of the financial statements.

At a Glance

We specialise in Chemical, Biological, Radiological and Nuclear ('CBRN') respiratory protection systems, as well as milking point solutions through our two businesses

72% OF REVENUES

28% OF REVENUES

AVON PROTECTION

Avon Protection is the recognised global leader in advanced Chemical, Biological, Radiological and Nuclear (CBRN) respiratory protection systems for the world's Military, Law Enforcement and Fire markets.

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Agents & Distributors

More information on **Page 18**

milkrite | InterPuls

milkrite | InterPuls is a global leader providing complete milking point solutions to dairy farmers across the world with the aim of improving every farm it touches.

2,117

Agents & Distributors

More information on **Page 18**

Key
- milkrite | InterPuls
- Avon Protection
- Distribution countries

Avon Protection

USA
– Cadillac
– White Marsh

U.K.
– Melksham
– Poole

milkrite | InterPuls

USA
– Johnson Creek
– Modesto

Italy
– Albinea

U.K.
– Melksham

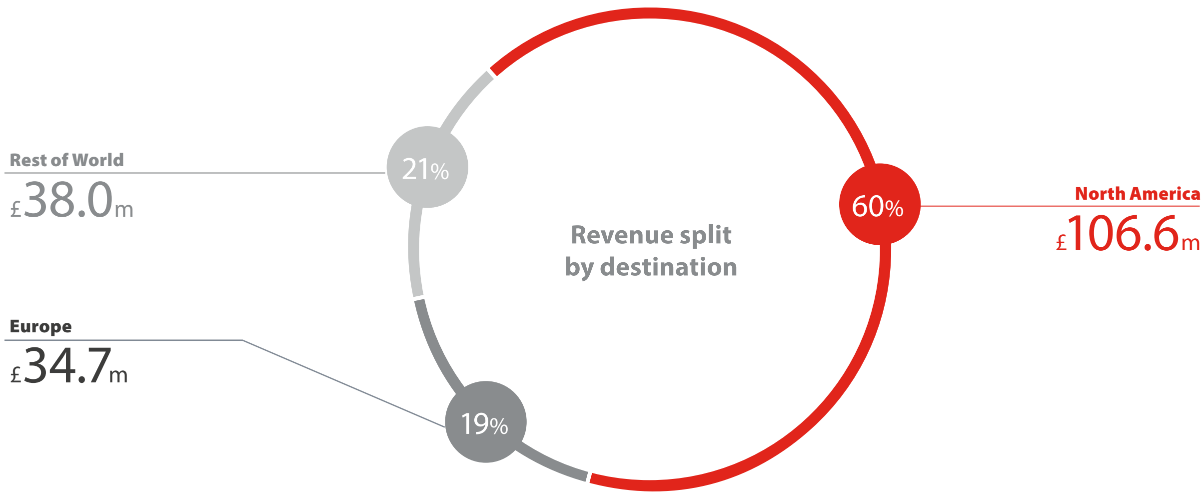
Brazil
– Castro

China
– Shanghai

800
EMPLOYEES

9
SITES

90+
COUNTRIES



Growing the core

M53A1 and M69

New sole-source contracts to supply the DOD with the M53A1 and M69 come from demonstrating our capability of collaborative development.

Key collaborative development programmes with the U.S. Department of Defense (DOD) for both the M53A1 mask and powered air system and M69 aircrew mask, are exceptional examples of our leading development capabilities. The contracts were awarded in the first half of the year with initial deliveries dispatched in the second half.

These contracts solidify our position as the principal choice with the U.S. DOD for CBRN respiratory protection with four major branches of the DOD using our products including the Army, Navy, Air Force and Marine Corps.

We continue to pursue a number of other identified opportunities with the U.S. DOD and Rest of World Military customers, both to extend our portfolio further and broaden our customer base.

M69 Aircrew Mask

The M69 aircrew mask has been specifically developed to meet the unique requirements of aircrew wearers who require CBRN respiratory protection at all altitudes up to 40,000ft (12,000m). It was developed for use on 10 U.S. DOD fixed wing airframes, with potential to add more aircraft in the future and to sell to other allied Rest of World (RoW) militaries.

5 year contracts totalling

$340m

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M53A1 Mask and Powered Air System

A technical evolution of the 50 series mask platform, the M53A1 mask and powered air system is a modular platform that was specifically designed to meet the unique requirements of Special Mission Units while providing them with maximum operational flexibility.

Selected product development

MCM100

Avon Protection continues to remain at the forefront of technology with the MCM100 underwater rebreather, a high performance, deep diving, air and mixed gas, electronically controlled rebreather.

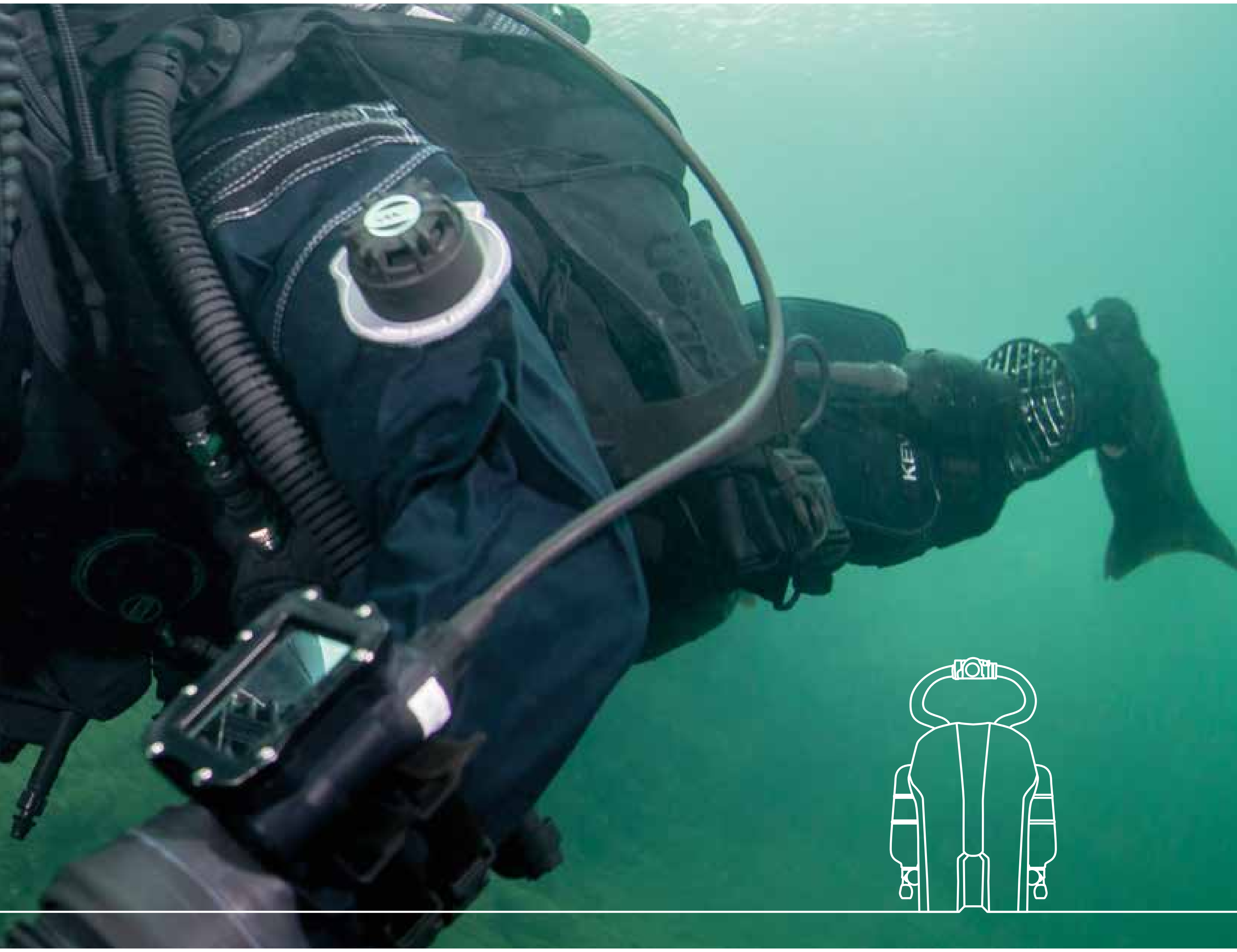
Development expenditure in the year has predominantly focused on Avon Protection, with significant investment in the continued development of the MCM100. We launched our MCM100 deep-water rebreather in 2018 and completed the first large order from the Norwegian Military during this year.

The MCM100 has opened up a significant number of new opportunities with the U.S. DOD, European and Rest of World Militaries and we have had an active year of dive trials and supplied a number of evaluation units, which has enabled us to demonstrate our leading next generation technology to this demanding user group of military divers.

Our MCM100 underwater rebreather specialises in long endurance and deep dive operations. The system ensures maximum user capability during a range of military or tactical diving disciplines, such as mine clearance or explosive disposal.

87 units
DELIVERED IN 2019

For more information, go to our website at:
www.avon-rubber.com/investors/



Pioneering innovation in military rebreather technology...

Safety critical

Multiple redundancy pathways have been integrated into the system to ensure user safety during all operations. Users, if necessary, can operate the system manually.

Fully electronically controlled

Our 'smart' rebreather ensures user operation is at its simplest. Command based actions are generated to direct the user to an immediate solution above and below the water.

Fast deployment capability

Automated pre-dive sequence and breath detection allows users to rapidly set up the system.

Value enhancing acquisitions

3M's ballistic protection business

Milestone transaction for Avon Rubber; in line with our strategy and acquisition criteria.

In August we signed an agreement to acquire 3M's ballistic protection business and the rights to the Ceradyne brand.

Operating primarily from three sites in the U.S. with approximately 280 employees, the business is a leading provider of next generation armour solutions, and is a trusted supplier to U.S. and Rest of World Military and Law Enforcement customers.

We are delighted to have identified an opportunity that fits our clear commercial and financial criteria, with a strong cultural fit. The acquisition is expected to close in the first half of the Group's 2020 financial year, subject to U.S. regulatory approvals and customary closing conditions.

For more information, go to our website at:
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Global opportunity

Avon Protection's established and growing customer base in Rest of World Military and Law Enforcement markets, ensures there is a clear opportunity to accelerate the business's non-U.S. Military sales as well as approaching potential new customers with a wider product range.

Customer

U.S. Military	90%
Rest of World Military	4%
Law Enforcement	6%

Product

Helmets	58%
Body Armour	33%
Flat Armour	9%

The business is a leading provider of next generation armour, including ballistic helmets and body armour plates to the U.S. DOD Soldier Protection System.

Ballistic helmets

Customisable, lightweight ballistic helmets for Military and Law Enforcement customers.

Body armour plates

Body armour solutions consisting of ceramic and composite components.

Flat armour

Rotary wing protection systems.

Why Invest in Avon Rubber?

We have a clear strategy to generate long-term earnings growth through maximising the opportunity from our current portfolio and selective product development to maintain our technology leadership position.

Our strong financial position and cash generation will allow us to enhance the returns from our organic strategy with additional value enhancing acquisitions, whilst maintaining a progressive dividend policy.

Organic sales growth

+3%

Through a focus on innovative products designed for global growth markets we target 3%+ per annum constant currency organic revenue growth

Value enhancing acquisitions

We are targeting carefully selected, value enhancing acquisitions to complement our organic growth

HOW DID WE PERFORM IN 2019?

4.2%

Revenue growth at constant currency

$91.0m

Acquisition of 3M's ballistic protection business

There are significant medium-term growth opportunities for both Avon Protection and milkrite | InterPuls. The transformed outlook provides us with the ability to continue delivering value to our customers, our people and our shareholders in the future.

Attractive EBITDA margins

+20%

Using our proprietary product expertise to develop market leading products, we target sustainable EBITDA margins of greater than 20%

22.0%

+70bps at constant currency

Strong cash generation

+90%

Our objective of delivering cash EBITDA conversion of 90% or more provides the cash flow to fund our growth strategy

63.5%

£48.3m net cash

Dividend growth

+30%

Under our progressive dividend policy, we expect to continue to grow dividends ahead of earnings until we reach a cover of two times adjusted earnings per share

+30%

20.83p dividend per share

Chairman's Statement

We have delivered another strong performance and have made further progress implementing our strategic objectives.

DIVIDEND PER SHARE

20.83p

2019 has been a transformational year for the Group. The continued successful execution of our strategy has both strengthened the outlook for the business and delivered sustainable, profitable growth for our shareholders.

I recognise that our success depends on our people. Our strong financial performance is a result of the skills, experience and hard work of our employees. On behalf of the Board I would like to personally thank our employees, who have worked tirelessly to deliver these excellent results.

Strategy

Our strategy is to deliver organic growth by maximising sales from our current product portfolio and selective product development. Alongside this, we aim to complement our organic growth through carefully selected, value enhancing acquisitions.

The contract awards announced during the year from the U.S. Department of Defense for the M53A1 and M69 mask systems demonstrate delivery against one of our strategic priorities – to broaden our customer base and maximise sales growth from our current product portfolio. These long-term contracts underpin our medium-term outlook and confirm Avon Protection as the sole source provider of General Purpose Masks, Tactical Masks, Powered Air Systems and Tactical Self Contained Breathing Apparatus across the entire U.S. DOD.

Dairy market conditions in the first half of the year were challenging, but the now improved market conditions have resulted in better trading conditions and milkrite | InterPuls returned to revenue growth in the second half across all lines of business.

In August of this year we signed an agreement to acquire 3M's ballistic protection business and the rights to the Ceradyne brand. The deal is contingent on U.S. regulatory approval and is expected to complete in the first half of our 2020 financial year. This acquisition is expected to be significantly earnings enhancing for the Group and will both broaden our current product range and deepen our presence in the U.S. and our relationship with the U.S. DOD This important strategic step for the business accords with our previously communicated acquisition strategy of targeting businesses with the appropriate commercial and financial criteria to complement our organic growth.

Shareholder returns

During 2019 we delivered a total shareholder return of 30.5%. The Company's share price rose from £12.90 at the start of October 2018 to £16.62 on 30 September 2019, and dividends totalling £5.4m were paid to shareholders.

The Board considers the dividend to be an important component of shareholder returns and as such has a policy to deliver a progressive dividend year on year. The Board is pleased to be recommending an increased final dividend of 13.89p per share, making a total dividend for the year of 20.83p, which is a 30% increase on the previous year and reflects our confidence in our outlook.

Governance and the Board

The Board remains committed to the highest standards of corporate governance and the Board continues to perform strongly in ensuring the effectiveness of our governance processes throughout the business. We are reporting this year against the requirements of the U.K. Corporate Governance Code 2016 ('the Code'). The Board has also spent time considering the changes brought in by the 2018 U.K. Corporate Governance Code (the 'new Code') and The Companies (Miscellaneous Reporting) Regulations 2018 (the 'Regulations') and how we can ensure compliance. We will report against the new Code and the Regulations fully in the 2020 Annual Report.

I have been a member of what has proved to be a strong and stable Board since 2007. I have held the role of Chairman since 2012 and am proud to have overseen the development of the Group and, in particular, the impressive results under Paul McDonald over the last three years. The Board and I recognise that under the new Code the Chair should not remain in post beyond nine years from the date of their first appointment to the Board. This period can be extended for a limited time, particularly where the Chair was an existing Non-Executive Director when appointed Chair, as I was, if that helps facilitate effective succession planning or a diverse board. Succession planning for the Board during the last year has resulted in the commencement of the recruitment process for two additional Non-Executive Directors, with a particular focus on diversity. Together with Pim Vervaat and Chloe Ponsonby, the new Non-Executive Directors will form a pool from which the future Chairman will be appointed.

"Our strategy is to deliver organic growth by maximising sales from our current product portfolio and selective product development."

I will remain in post for a limited period while this recruitment process runs its course into early 2020 and the new Non-Executive Directors settle into their roles through the remainder of the 2020 financial year. I therefore intend to step down as Chairman and member of the Board at the Annual General Meeting in 2021. Between now and then I will continue to focus on demonstrating objective judgement and promoting constructive challenge amongst the members of our Board.

Our internal Board evaluation in 2019 robustly challenged all aspects of the Board including my performance as Chairman and that of each Director, the Board Committees and the Board as a whole. I am pleased to report that the Board continues to function effectively as a cohesive body with a good balance of support and challenge and that its individual members are performing to a high standard.

In 2019 we changed the Group's external auditor to KPMG LLP from PricewaterhouseCoopers LLP. The process around this change was fully reported on in the 2018 Annual Report and I am pleased to report that the transition occurred without any disruption to the business.

Developing our people and culture is an ongoing priority for the forthcoming year and the Board recognises the importance of its role in setting the right tone and behaviours at the top and embedding them throughout the Group. Our Code of Conduct, which is reviewed annually by the Board, sets out our expectations around behaviours and is given to all employees. It is also available to all stakeholders including customers and suppliers.

Strong Results in a transformational year

2019 was another strong year of delivery. Looking ahead the Board are confident that our strong balance sheet, ambition and talented leadership team will enable the Group to continue to succeed and grow in future years.

DR Evans

David Evans
Chairman

13 November 2019

LINK TO STRATEGY

Listening to our Employees

Developing the opportunities for employee voices to be heard by integrating technology.

This year's annual Employee Opinion Survey introduced major changes to how we communicate to our employees. By collaborating with Culture Amp we have been able to redesign how we communicate and receive feedback from our employees. Culture Amp's unique software enables us to look deeper into the results than ever before, drawing meaningful conclusions from the data and implementing changes that have far-reaching impacts.

We are continually challenging ourselves to be a better company to work for, and pride ourselves on listening to employees and acting in their best interests. This year will see the introduction of quarterly surveys, which will make us more agile in addressing concerns, and capitalising on opportunities.

For more information, go to our website at:
www.avon-rubber.com/investors/

"We have a reputation for technological excellence and innovation, with a strong tradition of new product development."

Strategic Report

Our Business Model

Our products and services maximise the capabilities of our customers and create value for all our key stakeholder groups.

Key inputs

Leading positions in attractive growth markets

We are recognised as the leader within our chosen market segments.

Differentiated technology

We have a reputation for technological excellence and innovation, with a strong tradition of new product development.

Deep product expertise

We partner closely with our customers to design products to enhance their capability.

Established global distribution networks

We have a mature agent and distributor network to provide a range of commercial products in over 90 countries.

Skilled people

We have a highly skilled workforce of 800 employees across nine sites.

Experienced management

Our Board alone has over 147 years of combined management experience.

What we do

We are an innovative technology group which designs and produces specialist products and services to maximise the performance and capabilities of our customers.

We specialise in Chemical, Biological, Radiological and Nuclear ('CBRN') respiratory protection systems, as well as milking point solutions.

We re-invest

How we operate

Our values

We have a set of principles and cultural values that are rigorously pursued and adhered to across the Group.

Robust risk management

We have an established process for the identification and management of risk.

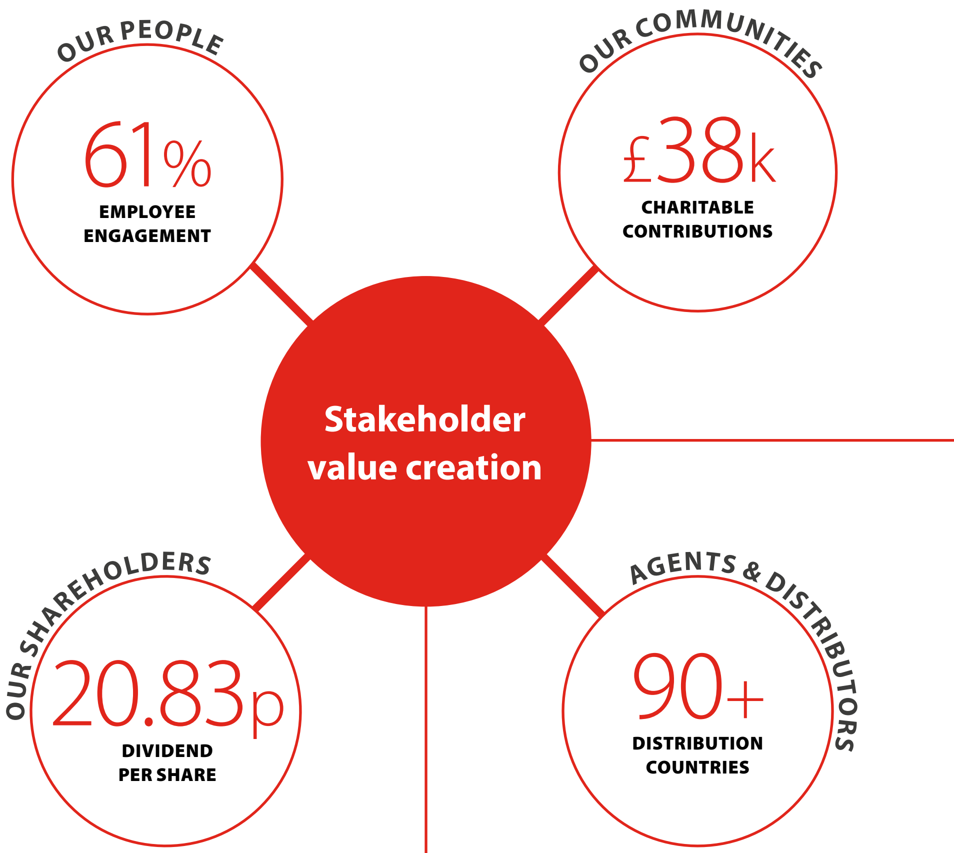
Responsible approach to sustainability

We are committed to minimising the impact of our operations on the environment and our employees.

Effective governance

We are committed to high standards of corporate governance, as set out in the U.K. Corporate Governance Code.

The value we create for stakeholders



Our Product Portfolio

Our strategic focus is to improve and expand our product offering to provide a broader portfolio of products to meet more of the needs of our customer base.

Avon Rubber p.l.c.

Avon Protection markets

Military

Global leader within Military CBRN for masks and filters, with leading portfolio of respirators, filters, powered air, supplied air and underwater rebreathers and long-term pedigree for military contracting and supply chain excellence. Avon Protection is the sole-source supplier to the U.S. DOD for the Joint Service General Purpose Mask (JSGPM), as well as the M69 and M53A1, whilst expanding into wider respiratory technology applications in both air and sea.

Law Enforcement

Supplying a range of NIOSH and CE approved mask solutions for global Law Enforcement customers, whilst organically expanding a wider portfolio of filters, hoods and powered air offerings to complement the mask, to increase capability of the Law Enforcement community in responding to global threats.

Fire

Leading provider of thermal imaging camera technology.

milkrite | InterPuls Markets

Interface

milkrite | InterPuls is the market leader for cluster technology to remove milk from the animal in the most efficient way and maximise the performance of the farm with improved cost benefits for the farmer and improved animal health.

Precision, Control & Intelligence (PCI)

Precision refers to the set up of the air system within the milking process to maximise the performance and efficiency of the system to provide the most efficient milking process. Control is the physical control of the milking system to provide automation opportunities to minimise labour inputs. Intelligence is the critical part of the dairy system which extracts data from the animal and integrates this within the farm herd management system or dairy management system when supplied as an integrated solution.

Farm Services

Whilst offering the entire product range on a resale basis, milkrite | InterPuls have developed the unique Farm Services offering, where clusters, pulsators and tags are offered to the farm on a lease hire basis, with a fully incorporated service and warranty scheme managed directly with the farm.

RESPIRATORS

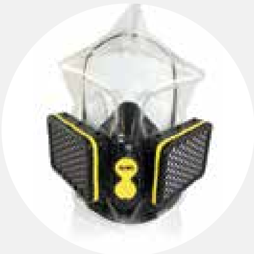
Our respirators are specifically designed to meet the latest military user requirements. We have a long-standing relationship with the U.S. DOD and over two million 50 series respirators have been issued in the U.S. alone.

POWERED AIR

Our range of Powered Air Purifying Respirators (PAPR) provide clean breathable air through the filters and hoses that are connected to the respirator. The PAPR reduces breathing resistance which makes breathing more comfortable.

SUPPLIED AIR

Supplied Air includes our range of self-contained breathing apparatus that contain and deliver breathable compressed air. Supplied Air can be combined with PAPRs to deliver an adaptable protection factor.



ESCAPE HOODS

Our escape hoods are the smallest and most compact CBRN hoods on the market and give the user 15 minutes of protection to escape a hostile situation.

UNDERWATER

Our MCM100 is a fully closed circuit, electronically controlled, mixed gas rebreather suitable for a large range of military or tactical diving disciplines such as mine clearance or explosive disposal.

THERMAL IMAGING

Our premium lightweight thermal imaging cameras have an Industry leading dynamic range and an oversized display for top performance in the most extreme firefighting environments.

LINERS

The liner is the only part of a milking system to be exposed to the teat. Our Impulse and Impulse Air liners use triangular technology for cow comfort, whilst the Ultraliner range uses classic round milk liner technology.

PULSATORS

We are the world-leading manufacturer of state of the art electronic pulsators designed to facilitate gentle, complete and uniform milking.

CLUSTER EXCHANGE

Through the Cluster Exchange Service, farmers lease complete milking clusters and outsource their liner change process to us. This is managed through service centres established in our existing facilities, with the support of our dealers and third-party logistics specialists.

MILK METER

Our milk meters use state of the art technology with advanced electronics and sensors to display real time milk yield, temperature, milking time, animal number and conductivity.

LEG AND NECK TAG

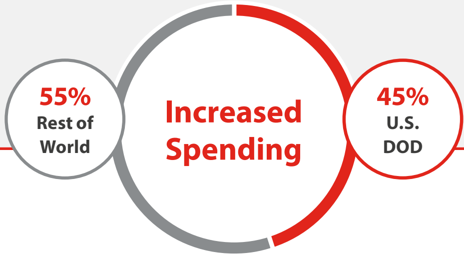
Leg and Neck Tags represent the next step in automation, tracking every potentially problematic signal regarding the animal's health and reporting it back to the farmer.

Avon Protection Market

Increased spending by NATO and affiliated countries and more focus on CBRN protection places Avon Protection in a strong position to meet more of the needs of a broad range of customers.

Increased awareness of threat

As the intensity of terrorism and state use of chemical weapons has increased over the last two decades, its impact has also spread to more countries around the world.



The U.S. DOD currently make up 45% of the total addressable global military spend, however, there is significant opportunity for growth in Rest of World countries, which have committed to increase military spending to 2% of GDP.

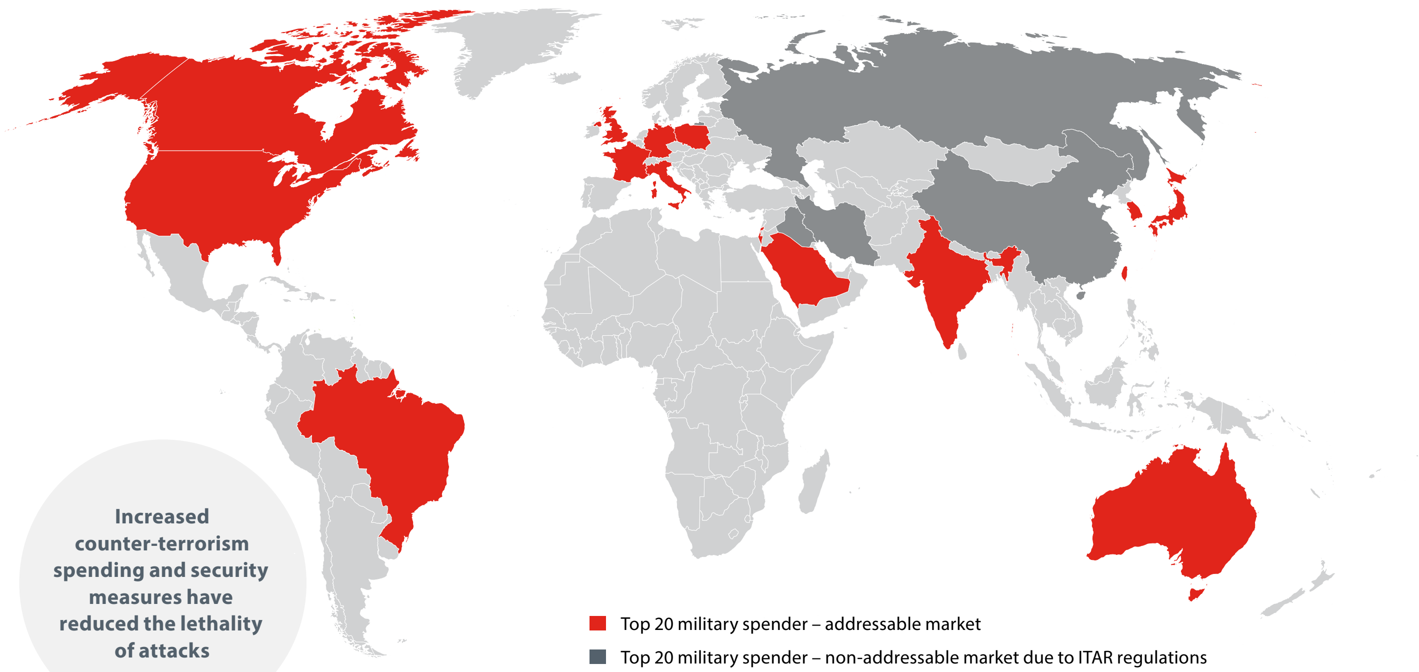
Broader CBRN product portfolio

Avon Protection is well positioned to extend military and first responder offerings to the U.S. and Rest of World countries.

"Since 2012, more than 60 countries experience at least one fatal terrorist attack each year."

Global Terrorism Index

Top 20 military spenders



Increased counter-terrorism spending and security measures have reduced the lethality of attacks

Source: World Defence Almanac 2018

£32.4m Rest of World

62.8% of Avon Protection's Military revenue is from the U.S. DOD

£54.8m U.S. DOD

5% of revenue R&D spend + £75m over the last ten years

$91m acquisition of 3M's ballistic protection business

Link to our strategy

Growing the core

The award of two significant long-term contracts with the U.S. DOD for the M69 aircrew mask and M53A1 mask and powered air system marks our transition away from the historic focus on M50 mask system, to a multi-product modular portfolio meeting a wider range of needs for the U.S. DOD, as well as expanding our opportunities with our Rest of World customers.

Selective product development

The development of the next generation hood has allowed us to begin talks with the U.S. DOD. We see a strong addressable market to provide ready-to-use, one-size-fits-all respirator to families of soldiers on military bases and other adjacent markets.

Value enhancing acquisitions

The acquisition of 3M's ballistic protection business will significantly strengthen our current technology and personal protection product offering by adding the leading next generation helmets and body armour.

The evolution of Avon Protection's product portfolio

Standalone mask and filter

Avon Protection won a ten year sole-source contract to supply the U.S. DOD with the M50 mask system

2008

Mask as a part of a modular platform

Building on the technology of the M50 mask system, a wider range of products was developed to integrate with the respirator including powered and supplied air. The ST54 is a good example of this and is a central product attached to the framework of the M53A1 and M69 contracts with the U.S. DOD.

2019

Integrated systems

As part of the acquisition of 3M's ballistic protection business, Avon Protection will have a much broader technology and product portfolio that includes ballistic helmets and body armour.

Outlook

Summary

In response to the wider awareness of the CBRN threat, militaries and first responders are investing in new technologies and capabilities to protect themselves from new emerging threats. Since 2014, NATO countries have a commitment to increase military spending to 2% of their GDP, including the U.S. which has already surpassed this commitment. European countries such as the U.K., France, Germany and Italy, which are some of the top 20 military spenders, have been increasing their military spend to meet their 2024 commitments.

Avon Protection is a trusted provider of specialist CBRN protection with a strong distributer network. As well as supplying to the U.S. DOD, U.K. MOD and Rest of World military Avon Protection is a major supplier of CBRN protection to Law Enforcement customers.

When the acquisition of the 3M's ballistic protection business is complete Avon Protection will be able to utilise the strong distributor network to offer a broader portfolio to our customers.

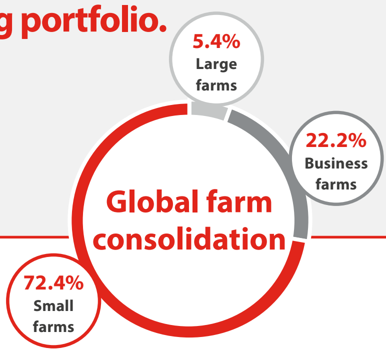
milkrite | InterPuls Market

As the global demand for dairy products continues to grow, the rate of farm consolidation and integration of new technology increases the opportunity to expand our market-leading portfolio.

Increased demand

By 2030, driven by an expected population growth of 1.2 billion and increasing per capita milk consumption of 16%, total milk production needs to increase by 35%. Some of this increased milk production will be met by a modest increase in the cow and buffalo population of 12% on 2017 figures. The rest will be met by increased farm efficiency and higher milk yields.

Global farm consolidation

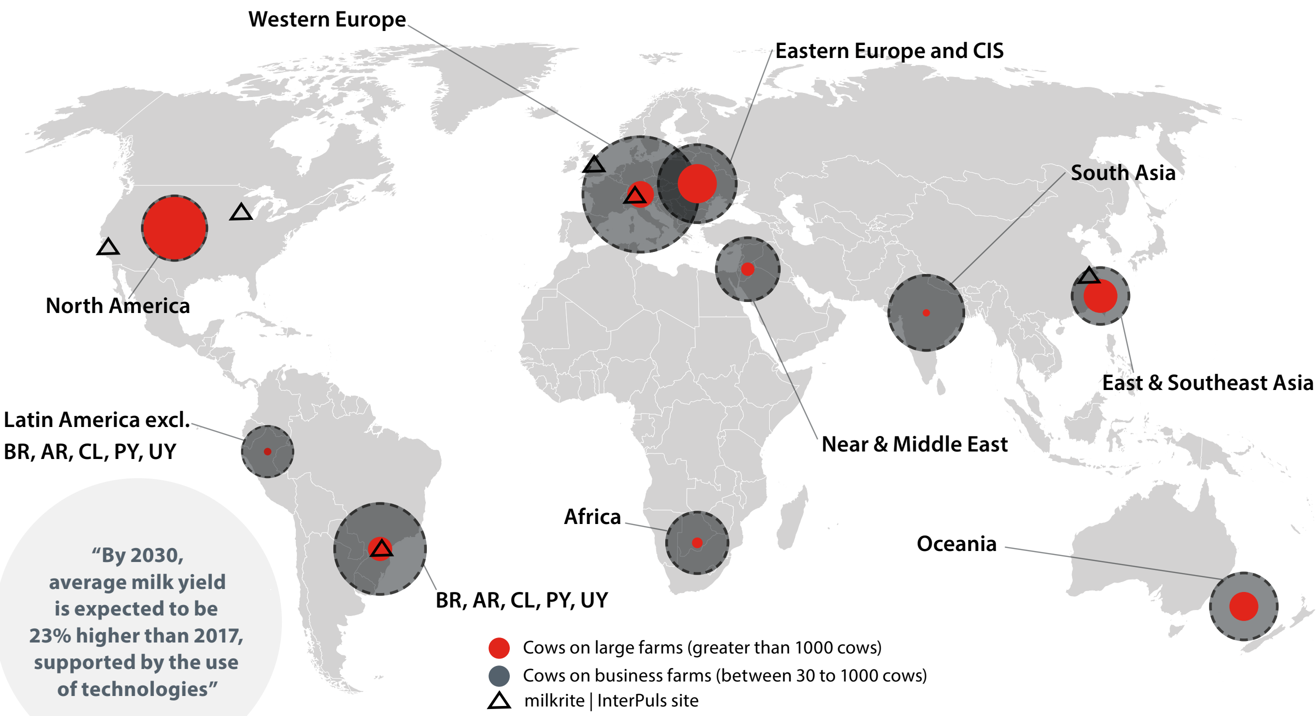


The dairy market is increasingly moving towards industrialised farming with greater levels of closures and consolidation of smaller farms (farms with less than 30 cows) but importantly with no reduction to cow numbers as mega farms (farms with more than 20,000 cows) grow. Efficiency can be realised as overhead costs are spread over more cows.

Investment in technology

The milkrite | InterPuls portfolio is focused on efficiency and animal welfare. Combined with our milking technology and service focus we see positive opportunity for medium and long-term growth as farms look to utilise our product portfolio to increase milk production and milk yield per cow.

70% of dairy costs are attributed to feed price. Therefore, the relationship between milk price and feed cost is a critical relationship governing farm investment.



"By 2030, average milk yield is expected to be 23% higher than 2017, supported by the use of technologies"

Source: IFCN 2019

500%
increase in mega farm customers in China since 2015

1st
shipment of iMilk600 to Russian mega farm with MyFarm software

3
Farm Service offerings across three major continents

Link to our strategy

Growing the core

milkrite | InterPuls command a leading position within the interface market and have had great success targeting mega farms with Impulse Air technology who recognise the benefits that come with our product range. milkrite | InterPuls have built on this existing platform and now offer PCI products and Farm Services to mega farms.

Selective product development

The development of our iMilk range ensures milkrite | InterPuls have an advanced portfolio of electronic milk meters to deliver milking point efficiency. The recently launched iMilkNano has enabled us to broaden our sheep and goat offerings as well as provide an alternative compact milk meter for business farms.

Value enhancing acquisitions

The integration of the acquired PCI products range into the Farm service model has enabled milkrite | InterPuls to broaden their portfolio, whilst providing farms with the opportunity to enhance their efficiency with minimal upfront costs.

The evolution of milkrite | InterPuls's Product Portfolio

Interface

milkrite | InterPuls launched the revolutionary Impulse Air technology designed to maximise animal health and milking efficiency.

2010

Precision, Control, Intelligence

milkrite | InterPuls broadened their portfolio following the acquisition of InterPuls to include best-in-class products for improving efficiency.

2015

Farm Services

Our Farm Service model was developed to provide an alternative entry point to the core elements of our product portfolio including clusters, pulsators and tags on a lease hire basis. Farm Services ultimately provides milkrite | InterPuls with the future delivery platform for our new products.

Evolution

Summary

Over the past 20 years the global dairy industry has been responding to increased milk demand by improving farm efficiency and increasing average milk yield per cow. The dairy market has seen a 76% growth of large farms since 1996, as well as the investment in advanced technologies to improve farm efficiencies.

Larger farms target greater efficiency as overhead costs are spread over more animals. This supports the continued growth in mega farms in key locations such as the U.S., China, Australia and Saudi Arabia where there are less limiting factors. In addition, average farm size is expected to rise by 29% between 2017 and 2030, increasing the number of addressable business farms and large farms.

milkrite | InterPuls products and services are well positioned to support the farms of today and the future who are seeking to use innovative technologies to improve farm efficiency and deliver excellent animal health.

Delivering on Our Strategy

Our strategy is to generate shareholder value through growing the core business by maximising sales growth, supported by selective product development and value enhancing acquisitions.

Growing the core

We are recognised as the leader within our chosen market segments. There are further opportunities to maximise growth from our product and service portfolio.

Revenue growth

+4.2%[1]

at constant currency

Revenue

£179.3m

(2018: £165.5m)

1 8.3% including impact of currency movements

How we achieve this

- Leveraging the product and customer base. There is considerable scope to cross sell the wider product portfolio to our existing customers and further improve margins.
- Responding to customers' growing needs. Through our focus on innovation we are constantly enhancing the functionality and capability of our product range. As the demands of our customers grow, we see a clear opportunity to migrate them to our premium product offerings as their requirements increase.
- Offering new models and solutions. We see alternative ownership models and value-added services as an additional differentiator that has scope to open up a broader market.
- Expanding our reach through distribution. We participate in growing global markets with a large and diverse base of potential customers. Expanding our distribution network of agents and dealers will allow us to access wider market opportunities more quickly, in both new and existing territories.
- Continuing focus on operational excellence. We have invested in a global manufacturing capability and supply chain to meet the high quality requirements of our products and customers. We pursue a continuous improvement culture to further reduce costs and enhance product margins and will benefit from improved operational gearing as we optimise the utilisation of our global operations.

Strategy in action

We ensure a continuous focus on operational efficiency. For Avon Protection our efficient manufacturing operation enables excellent product quality and reliability. For milkrite | Interpuls we took the opportunity to consolidate all EU commercial operations into our existing Italian facility.

Performance in FY19

AVON PROTECTION

- Expanding our Military product portfolio from the awards of two significant long-term contracts.
- Strategic focus on Military customers for our SCBA market.
- Impacted Law Enforcement momentum by the partial shutdown of the U.S. Government at the start of the year.

milkrite | InterPuls

- Maintaining our global market-leading position in Interface.
- Expanding Precision, Control & Intelligence (PCI) sales support.
- Farm Services lease ownership model impacted by difficult market conditions in the first half.

Delivering on Our Strategy continued

Selective product development

We have a reputation for technological excellence and innovation, with a strong tradition of new product development.

Total R&D expenditure

£8.2m

(2018: £9.7m)

£75m+

spent on R&D over past ten years

Strategy in action

We launched our MCM100 deep-water rebreather in 2018 and have had an active year of dive trials and supplied a number of evaluation units, which has enabled us to demonstrate our leading position in the MCM100 product capability for this demanding user group.

How we achieve this

Moving up the value chain in respiratory protection.

Whilst we will continue to expand the portfolio of mask platforms, variant systems and consumables to cater for the specific needs of particular customers or applications, we are actively developing more advanced systems targeted at more specialist customer groups.

Enabling technologies and integrated systems.

The equipment of the military fighter of the future is expected to be increasingly sophisticated, with seamless integration of protection and technology systems. We are investing in our expertise in enabling technologies, following an Internet of Things principle, to allow greater integration of respiratory protection systems with data and communications technology.

Building the milkrite | InterPuls portfolio around the service proposition.

We have expanded the Farm Services product portfolio to include Cluster Exchange, Pulsator Exchange and Tag Exchange to leverage the unique value of this product range.

Performance in FY19

AVON PROTECTION

- The development expenditure in the year has predominantly focused on Avon Protection.
- Significant investment in the U.K. GSR, MCM100 and next generation hood programme.

milkrite | InterPuls

- Upgraded Milk Meter equipment and subsequent ICAR approval together with the PCI heavy duty equipment for North America to meet the needs of our larger industrial customers.

Value enhancing acquisitions

We are targeting carefully selected, value enhancing acquisitions within Avon Protection and milkrite | InterPuls to complement our organic growth.

Management have maintained a very clear focus on capital discipline and ensuring that any opportunity meets its financial and commercial criteria.

Commercial criteria:

- Strong brand recognition
- Technology which broadens our product range
- Expands our geographic reach
- Secure revenue streams or another source of profitable growth
- Strong management

Financial criteria:

- EPS enhancement
- Organic revenue growth, margins and cash conversion potential in line with our strategic growth objectives
- Returns exceeding our WACC
- Post-acquisition net debt to EBITDA less than two times

Performance in FY19

$91.0m

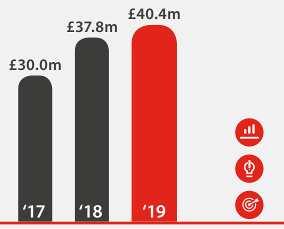
Acquisition of 3M's ballistic protection business

AVON PROTECTION

- Avon Rubber has signed an agreement to acquire 3M's ballistic protection business and the rights to the Ceradyne brand.
- The acquisition represents a very attractive opportunity in line with our strategy.
- The core strengths of the business are closely aligned with those of the Group.

How We Measure Our Performance

The Group uses a variety of key performance indicators which are in line with our updated strategy and investor proposition.



Closing Order Book

£40.4m

+6.9%

Reason for choice

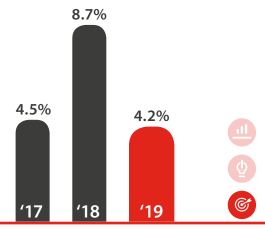
Provides an indication of revenue to be recognised in the next financial period.

How we calculate

Orders received by the Group and not yet fulfilled. This is measured by the value of future revenue attached to orders not yet fulfilled.

Comments on results

Strong closing order book of £40.4m provides excellent revenue visibility and confidence for 2020.



Constant currency revenue growth[1] (%)

4.2%

-4.5%

Reason for choice

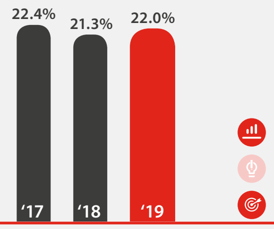
Indicates the rate at which the Group's business activity is changing over time.

How we calculate

The growth in revenue comparing current year revenue with prior year revenue retranslated at current year exchange rates.

Comments on results

Strong core revenue growth across our Military business with both the U.S. DOD and our Rest of World customers has resulted in constant currency growth of 4.2%, above our 3%+ objective.



Adjusted EBITDA Margin[1] (%)

22.0%

+0.7%

Reason for choice

Provides a measure of the underlying profitability of the ordinary activities of the business and their potential to generate cash.

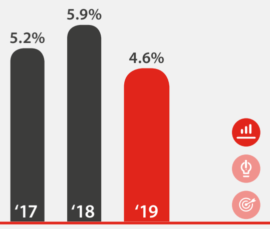
How we calculate

The ratio of Adjusted EBITDA to revenue. Adjusted EBITDA is defined as operating profit before depreciation, amortisation, exceptional items and defined benefit pension scheme costs. It excludes any effect of discontinued operations.

Comments on results

First deliveries of our higher margin M53A1 mask systems and lower volumes of lower margin M50 systems, contributed to EBITDA margin growing by 70bps to 22.0%; significantly ahead of our 20%+ objective.

1 The Directors believe that adjusted measures provide a more useful comparison of business trends and performance. The metrics are also used internally to measure and manage the business



Product development % of revenue

4.6%

-1.3%

Reason for choice

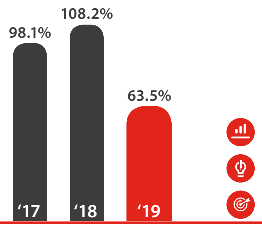
Provides a measure of the Group's investment in new products and processes. Investment provides a foundation for the Group's future growth.

How we calculate

Total expenditure on research and development including amounts funded by customers, development expenditure capitalised and amounts expensed directly to the Income Statement expressed as a percentage of revenue.

Comments on results

4.6% of revenue has been spent on product development which has predominantly focused on Avon Protection, with significant investment in the U.K. GSR, MCM100 and next generation hood programmes. Development expenditure for milkrite | InterPuls included the compact milk meter to address the market for smaller milk producing animals.



Cash conversion (%)

63.5%

-44.7%

Reason for choice

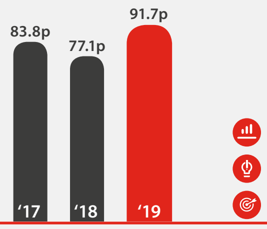
Provides a measure of the management of working capital and the ability of the Group to convert profits to cash.

How we calculate

The ratio of cash generated from operations before the effect of exceptional items to adjusted EBITDA.

Comments on results

Our continued focus on cash management was impacted by the timing of the fulfilment of the $16.6m Rest of World mask contract, which resulted in 63.5% of EBITDA being converted into cash, below our objective of 90%+. This is purely timing with the receipt expected in the first quarter of the 2020 financial year.



Adjusted earnings per share1 (%)

91.7p

+18.9%

Reason for choice

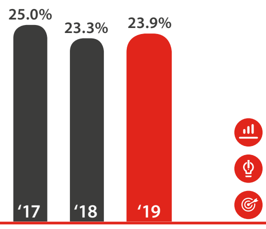
Measures the ability to generate a return to shareholders. It takes into account our success in growing our business organically and by acquisition coupled with management of the Group's financing and tax.

How we calculate

Adjusted profit for the year divided by the weighted average number of shares in issue. Adjusted profit excludes the amortisation of acquired intangibles and the after tax effect of exceptional items, defined benefit pension scheme costs and discontinued operations.

Comments on results

Strong core revenue and profit growth combined with the benefit of concluding some uncertain tax provision releases resulted in a significant increase in adjusted earnings per share of 18.9%.



Return on capital employed (%) (ROCE)

23.9%

+0.6%

Reason for choice

Measures profitability and the efficiency with which capital is employed.

How we calculate

Adjusted operating profit as a percentage of average capital employed. Capital employed is the sum of shareholders' funds, non-current liabilities and current borrowings.

Comments on results

Our 10.4% improvement in profit has offset the effects of the continued strong net cash balance throughout the year which has increased our ROCE to 23.9%.

A full glossary of terms is available on page 152

A reconciliation of Operating Profit to Adjusted Operating Profit and Profit for the Year to Adjusted Profit for the Year is available in note 2.2 of the financial statement

Chief Executive Officer's Review

We have a greater and wider range of opportunities for both Avon Protection and milkrite | InterPuls.

NEW MILITARY CONTRACTS

£340m

I am delighted to report on a transformational year for Avon Rubber where we have delivered against all three elements of our growth strategy.

The results reflect ongoing initiatives to grow our core revenue and selected product development to create a business that is more sustainable for the future with improving operating profits and cash flows.

Our strategy has been focused on enhancing the future visibility and sustainability of our growth through diversifying the revenue we generate from our product portfolio by delivering more products to our existing customers, as well as broadening our customer base. This has supported the growth in our order intake and revenue in 2019, as well leaving us well positioned for 2020 with a strong opening order book. The broader range of products and customers provides the Group with more flexibility to deliver consistent growth in revenue and operating profits going forward. This was evidenced by our performance in the second half of 2019, following the challenging market conditions experienced earlier in the year.

The strong balance sheet position and cash generation from the business has allowed us the scope and confidence to pursue both acquisition opportunities and invest in product development to support future growth. The acquisition of 3M's ballistic protection business is a milestone moment for Avon Rubber which will significantly add to our personal protection portfolio and greatly accelerate our future growth prospects. We remain committed to research and development and investing in our product portfolio maintaining the competitive advantage for our existing range, as well as continuing to develop new products in partnership with our customers to meet their ongoing needs.

I am confident that our achievements this year have transformed the outlook for the business. We have a greater and wider range of opportunities for both Avon Protection and milkrite | InterPuls to continue delivering value for our customers, our people and our shareholders in the future.

Strategy

Our strategy is based upon creating shareholder value through three key elements:

- Growing the core by maximising organic sales growth from our current product portfolio and improving our operational efficiency;
- Pursuing selective product development to maintain our innovation leadership position; and
- Targeting value enhancing acquisitions to complement our existing businesses.

Growing the core

Avon Protection

Excellent growth across our Military business with both the U.S. Department of Defense and our Rest of World customers has resulted in Avon Protection delivering another record year. This was achieved through our strategic focus on improving and expanding our product offering to provide a broader portfolio of products to meet more of the needs of our customer base.

Expanding our Military product portfolio and customer base

The award of two very significant long-term contracts with the U.S. DOD for the M69 aircrew mask and the M53A1 mask and powered air system, which have a combined maximum contract value of $340m, confirm Avon Protection as the sole source provider of General Purpose Masks, Tactical Masks, Powered Air Systems and Tactical SCBAs across the entire U.S. DOD.

"I am confident that our achievements this year have transformed the outlook for the business."

The M53A1 framework contract, which also covers additional Avon Protection products, including the ST54 self-contained breathing apparatus, has a maximum value of $246m and a minimum five-year duration. This framework is accessible to a number of different and new customers within the U.S. DOD, including all four military service branches and other national and federal agencies. We received the first order under the contract earlier in the year, worth $20.2m, which we have partially completed during the year and expect further orders during 2020.

The M69 sole source contract to supply the U.S. DOD with the M69 Joint Service Aircrew Mask for Strategic Aircraft, related accessories and engineering support, extends Avon Protection's portfolio reach into the aviation sector for the first time and has a maximum value of $93m and a minimum five-year duration. As with the M53A1, we received the first order under the contract, worth $17.8m, earlier in the year and we also partially completed the first deliveries this year.

These important contract awards from the U.S. DOD mark our transition away from the historic focus on the M50 mask system, to a multi-product modular portfolio meeting a wider range of needs across all military branches of the U.S. DOD. Notwithstanding this, the M50 mask system remains an important part of the portfolio and positive discussions regarding the future requirements of the U.S. DOD and their anticipated sustainment volumes are ongoing and we expect to receive a contract award in the new financial year. In addition, we have a highly visible pipeline of Rest of World military opportunities and are in active dialogue with a broad range of customers who are looking to upgrade their capability to the FM50 mask system.

LINK TO STRATEGY

U.K. MOD GSR

The U.K. MOD General Service Respirator is now in production and work has begun to deliver the first order.

Avon Protection was awarded the five-year contract to supply and provide in-service support for the GSR with the U.K. MOD in February 2018. After a year of development, samples of the GSR were provided to DSTL for laboratory testing and user evaluation. These tests were successfully passed and the GSR was accepted into service in September.

Avon Protection received the first order for respirators and spares at the beginning of October. To meet the needs of full-scale production, two new manufacturing lines have been created to assemble the mask and filter systems, creating a number of jobs for people in the local area.

This major milestone in our history demonstrates the significant lead we have regarding production and development capabilities compared to our competitors, whilst ensuring we are now positioned as the leading supplier for CBRN respiratory protection.

For more information, go to our website at:
www.avon-rubber.com/investors/

Chief Executive Officer's Review continued

We re-established our relationship with the U.K. Ministry of Defence ('U.K. MOD') when we won the contract last year to supply their GSR mask. Subsequent to the award, we have been preparing the tooling and processes for the full manufacturing requirements as well as undertaking customer acceptance testing, which was completed in the final quarter of the year. We expect the first orders and deliveries to follow in early 2020. Through those activities we have been able to demonstrate to the U.K. MOD our focus on quality and technical expertise, and as a result, we see further opportunities to deepen our relationship with the U.K. MOD, leveraging from our wider product portfolio.

We launched our MCM100 deep-water rebreather in 2018 and completed the first large order from the Norwegian Military during this year. The MCM100 has opened up a significant number of new opportunities with the U.S. DOD, European and Rest of World Militaries. We have had an active year of dive trials and supplied a number of evaluation units, which has enabled us to demonstrate our leading next generation technology to this demanding user group of military divers.

Our continuing strong relationship with all branches of the U.S. Military has enabled us to develop and bring to market a full suite of respiratory protection products including masks, PAPRs and SCBAs. Due to the modularity of our product offering, we can offer a unique and combined product solution to meet the budgets and differing usage requirements of other potential Military customers.

The breadth of our product offering, and commitment to ongoing investment in research and development in partnership with our customers is a core strength of our model. This means we are in a very strong position to continue to deepen our existing customer relationships and pursue new opportunities that our world-leading reputation is continuing to generate.

Growing our Law Enforcement business

This year the strong momentum in our Law Enforcement business was interrupted by the impact of the partial shutdown of the U.S. Government at the start of 2019, restricting some of our key user communities' access to their operational funding and their administrative capability to place orders. The shutdown had a significant impact during 2019 and whilst purchasing activities returned to normal in the second half, affected customers were unable to accelerate their procurement processes to fully mitigate the first half delays. Despite the interruption, the Law Enforcement community is still showing a strong demand for our protection products as the elevated environment of CBRN threats remains high on the agenda.

We continue to see good market penetration with U.S. and Rest of World Law Enforcement customers, where we have been able to demonstrate the benefits our market leading portfolio and modular product range to meet the diverse needs of a broader section of customers who are responding to the changing threat levels. We expect to continue to grow our market share in all of our key markets, which will support a return to growth in 2020 in anticipation of a more stable political environment to allow us to leverage from our product innovation leadership position.

Exiting the Fire SCBA market

Given the breadth of our personal protection offering following the acquisition of 3M's ballistic protection business, we have reviewed our participation in the Fire SCBA market. Participation in this market has helped us develop and advance our capability with our SCBA portfolio while meeting the needs of our Fire customers. The capabilities and knowledge that we have gained during our participation in the Fire market has supported the development of the ST53 and ST54 SCBA products for users in our core Military and Law Enforcement customer base. In 2019 we sold more of our current range of SCBA products to Military and Law Enforcement customers than to the Fire market. The ST54 is one of the central products attached to the framework $246m M53A1 contract award this year to meet all the tactical requirements of the U.S. DOD. The expertise we have generated in SCBA technology now sits within our wider Military and Law Enforcement R&D teams who will ensure we retain our technology leadership in this area.

> "The MCM100 has opened up a significant number of new opportunities with the U.S. DOD, European and Rest of World Militaries."

U.K. GSR user acceptance testing passed

The Fire market remains highly competitive with a fragmented customer base where we have a small market position and compete against much larger players. This means we generate margins and returns that are significantly below our strategic targets. We have therefore taken the decision that it is the right time to move away from our participation in the Fire SCBA market and reallocate resources to focus on our core growth opportunities with our Military and Law Enforcement customers. In 2019 revenues relating to the Fire SCBA product line were £6.7m.

We will continue to stay committed to the argus thermal imaging camera technology which continues to contribute to our revenues and profit. The argus range is a trusted brand for firefighters and the full range of NFPA approved products provides customers with multiple entry points on a cost or capability basis. During the year we saw increased volumes across our full range of products from the premium Mi-TIC S to the more cost effective Mi-TIC E solution to maintain Avon Protection's position as a leading global supplier of certified thermal imaging cameras.

Moving forward to the half year results in May 2020, we will report on a combined 'First Responders' line of business that incorporates both Law Enforcement and Fire.

milkrite | InterPuls

We have continued to focus our strategy on enhancing our position as the globally recognised milking point experts. The dairy market is increasingly moving towards industrialised farming with greater levels of closures and consolidation of smaller farms but importantly with no reduction to cow numbers as mega dairies grow. At the same time, the growing global population and increasing consumption of dairy products per capita has resulted in increasing demand for dairy-based products which support these market dynamics and the drive to deliver improvements in farm efficiency and animal welfare. The milkrite | InterPuls product portfolio is primarily focused on efficiency and animal welfare and, combined with our knowledge of our customers and service focus, we see medium and long-term opportunities for broadening the geographic reach of our products to maximise the benefit from these changing market dynamics.

Maintaining our Interface leadership

We have a global market-leading position in Interface, with our Impulse and Impulse Air ranges designed to maximise animal health and milking efficiency. Our focus on innovation in Interface products ensures that we maximise our competitive advantage and maintain our market leadership position. In addition, we continue to focus on expanding our global dealer network to maximise market coverage and access to new customers.

Expanding Precision, Control & Intelligence (PCI) sales support

We have an advanced range of PCI products designed to deliver milking point efficiency and our emphasis is on establishing reference farms alongside a specially trained and focused sales force who can support a broad technical dealer network to provide an upgraded sale and support capability to our customer base across all geographies. During the year, we have continued the progress from 2018 by focusing on our technical sales specialists and capability in our North American team. We are focused on leveraging from our established PCI reference farms and market leading Interface platform to align the more technical PCI products to the benefits they can bring to our customers in the performance and efficiency of milk production. The PCI products are importantly fully compatible with legacy OEM dairy systems which provides farmers and dealers flexibility to choose the best equipment solution.

Growing the Farm Services lease ownership model

The unique Farm Services model was developed to offer farmers an alternative entry point to some of the core elements of our product portfolio including our clusters, pulsators and tags on a lease hire basis. The model offers a fully incorporated service and warranty scheme managed directly with the farm and provides farmers with an additional option of accessing the whole product portfolio and the full purchase model of Interface and PCI.

This year we have seen a pause in the growth of this model due to difficult market dynamics particularly in North America during the first half of the year. Our customers continue to see the benefit of accessing our product range on a lease hire basis but the growth from farms taking up Farm Services was offset by closures of smaller farms, as dairy farms consolidate.

Farm Services ultimately represents the future delivery platform for our increasingly advanced products, which provides a direct contact for service and support with our customers.

With stabilising market conditions we expect Farm Services to return to growth in 2020.

Chief Executive Officer's Review continued

Continuous focus on operational efficiency

Ensuring we deliver maximum operational efficiency whilst not compromising on excellent customer service is a constant strategic focus across the manufacturing and service operation for Avon Protection and milkrite | InterPuls.

For Avon Protection our well established and efficient manufacturing operation has enabled us to maintain excellent product quality control and reliability across our product range. As we continue to expand our product portfolio and move up the value chain in personal protection, with greater focus on more technical solutions for mask systems and supplied and powered air products, we are focused on ensuring that we maintain high productivity levels whilst being able to meet all of our customers' requirements. To better align product development and manufacturing, we will be relocating our Chelmsford, U.K. thermal image camera development facility to our main U.K. site in Melksham.

For milkrite | InterPuls to achieve a greater level of production efficiency and customer service levels, during the year we took the opportunity to consolidate all our European commercial operations into our existing Italian facility. This provides a single customer service point for all customers. At the same time, we have also transferred European liner production in house to support our operational efficiency.

Selective product development

Continued investment to maintain our competitive advantage and to expand our product range

We have continued our investment this year in enhancing the technical capability of our existing portfolio and developing new products that will deliver future growth for the business. The majority of our development pipeline is designed in partnership with our customers to ensure that their performance requirements are met whilst ensuring we deliver the highest commercial returns on our investment.

The development expenditure in the year has predominantly focused on Avon Protection, with significant investment in the U.K. GSR, MCM100 and next generation hood programmes. Development expenditure for milkrite | InterPuls included the compact milk meter to address the market for smaller milk producing animals.

In 2019, we invested a total of £8.2m (2018 £9.7m), representing 4.6% of revenue (2018: 5.9%), in research and development. Over the medium-term we expect to maintain the level of funding at around 5% of revenue for product development. This reflects our confidence in our ability to innovate to meet the future technical needs of our customers thereby generating revenue and profit growth.

Value enhancing acquisitions

Milestone acquisition of 3M's ballistic protection business

The acquisition of 3M's ballistic protection business is an important strategic step for the Group and Avon Protection. The business we are acquiring is high quality, backed by leading proprietary technology, established contract platforms and well invested manufacturing operations which will accelerate the growth prospects for the Group.

This acquisition will significantly strengthen our current technology and our personal protection product offering by adding the leading next generation helmets and body armour. It also deepens our already strong relationship with the U.S. DOD as a key supplier of helmets and body armour. Avon Protection will also be able to cross sell the helmets and body armour to its existing Rest of World and Law Enforcement customers.

3M's ballistic protection business enhances the Group's research and development capability and supports further growth and an expected combined and integrated future product range. The acquisition ultimately places Avon Protection at the

"The acquisition of 3M's ballistic protection business is an important strategic step for the Group and Avon Protection."

AGREEMENT TO ACQUIRE 3M'S BALLISTIC PROTECTION BUSINESS

$91m

forefront of future evolution in CBRN and ballistic armour protection. In the short-term however we will be focused on ensuring a successful and efficient integration of the business, including the realisation of identified financial synergies.

We will continue to explore other acquisition opportunities where we see the potential to deliver significant strategic and financial value. Following the acquisition of 3M's ballistic protection business we will continue to maintain a strong balance sheet, with leverage not expected to exceed one times EBITDA at close, together with an extended bank facility of $85m and a larger cash generative business supporting an expected return to a net cash position during 2021. This financial position, our strong cash conversion, as well as our willingness to extend leverage up to two times EBITDA, means we are well positioned to pursue other potential acquisitions that also meet our criteria and act quickly and decisively where we identify them.

People

We continue to evolve the Executive leadership of both businesses as we look to deliver on the clear strategic direction and alignment for the Group as a whole.

In recognition of the extensive Law Enforcement growth opportunities within Avon Protection, I am delighted to welcome David Mack to the Executive leadership team to lead our global Law Enforcement business. David is an internal appointment who comes with extensive experience in this market and his addition will greatly enhance our strategic delivery in Avon Protection to support our ambitious and exciting growth strategy in our core Law Enforcement business in the future.

Outlook

Our strong opening order book of £40.4m provides good visibility as we enter the new financial year, and we are well positioned to continue our strong momentum into 2020.

Within Avon Protection, we expect to complete the acquisition of 3M's ballistic protection business in the first half of the financial year as we continue to make good progress with the regulatory clearance process. We expect to receive follow-on orders for the M69 aircrew masks and M53A1 mask and powered air system together with the five-year sustainment contract for the M50 mask system during the financial year. We expect the revenue opportunities from a full year of delivery of the M69 and M53A1 mask systems to offset the impact of the anticipated reduction in M50 mask system sustainment volumes. We also expect to receive the first orders for the U.K. GSR and to make the first deliveries to the U.K. MOD together with the receipt of further orders for the MCM100 following the extensive trials in 2019. Alongside this, we expect a return to sustainable growth from the widening customer and product base in Law Enforcement in a more stable political environment. We will see a reduction in Fire revenues following our strategic review of our participation in the North American SCBA market but the benefits of refocusing our resources will support growth and overall returns in Avon Protection.

Dairy market conditions have stabilised over the last six months and although there remains market caution around the wider political environment, we currently anticipate that the growth trends experienced by milkrite | InterPuls in the second half of 2020 will continue in the new financial year.

We have transformed the business over the last year through delivering against our strategic priorities of growing the core and selective product development and value enhancing acquisitions. This leaves us looking ahead with confidence, well positioned to deliver further success in 2020 and beyond.

Paul McDonald
Chief Executive Officer

13 November 2019

AVON PROTECTION

"2019 has been another successful year. We have delivered a strong performance and have made good progress implementing our strategic objectives."

Revenue growth at constant currency

5.9%

11% including the impact of currency movements

Revenue

£128.4m

(2018: £115.7m)

Avon Protection Review

"Momentum in Military order intake and international growth in Law Enforcement underpins confidence in 2020."

Financial performance

Orders received of £129.8m (2018: £124.6m) supported an increase in revenue to £128.4m (2018: £115.7m). On a constant currency basis, revenue grew by 5.9% with Military revenue growing by 26.1%, more than offsetting a 27.1% decrease in Law Enforcement and 5.3% decline in Fire, reflecting the more challenging conditions in both markets.

Our adjusted EBITDA margin strengthened to 24.5% (2018: 23.0%), being an increase of 1.6% on a constant currency basis. This primarily reflected the benefits of the new higher margin products, with the first deliveries of M53A1 mask and powered air systems offsetting the reduced volumes of the lower margin M50 mask systems shipped in 2019 compared to last year. Adjusted EBITDA was £31.4m (2018: £26.6m); eliminating the currency movements, adjusted EBITDA grew by 13.4% at constant currency.

Adjusted operating profit grew very strongly to £26.2m (2018: £21.5m), whilst operating profit was down to £17.0m (2018: £19.5m) due to the impact from the one-off exit costs of £5.4m from the fire SCBA market. Eliminating the benefit of currency movements, adjusted operating profit grew by 17.6% on a constant currency basis.

Military

Military revenue grew significantly to £87.2m (2018: £66.1m) and was up 26.1% on a constant currency basis.

U.S. DOD revenue totalled £54.8m versus £52.7m in 2018, reflecting the first deliveries of the new M69 aircrew mask and M53A1 mask and powered air system products. This was offset by the expected lower volumes of the M50 mask system although there was an increased volume of spares and accessories reflecting the significant installed base of M50 mask systems.

As expected, we delivered 96,000 M50 mask systems and 166,000 filter pairs, compared with 179,000 mask systems and 150,000 pairs of filter spares in 2018 with the new programmes coming through to offset the lower volumes of mask systems. U.S. DOD spares and development costs revenue increased to £12.2m (2018: £12.0m).

Revenue from our Rest of World Military business totalled £32.4m (2018: £13.4m), a significant 142.8% increase on the prior year, on a constant currency basis. The growing Rest of World pipeline of opportunity is reflected in the $16.6m Rest of World mask system contract. Together with other mask system and hoods sales, the fulfilled orders for the MCM100 underwater rebreathers and sales of our powered and supplied air range, this supported significant revenue growth over 2019.

The award of the M69 and M53A1 mask system contracts and the receipt and partial fulfilment of the first orders during the year has provided us with a strong opening order book and excellent visibility for the outlook of Military sales for 2020. Discussions with the U.S. DOD for the replacement M50 mask system sustainment contract are continuing and we expect to receive a new contract award in the first half of 2020.

	2019	2018	% Change	% Change at constant currency
Orders received	£129.8m	£124.6m	4.2%	0.2%
Closing order book	£36.7m	£35.3m	4.0%	(1.1%)
Revenue	£128.4m	£115.7m	11.0%	5.9%
Adjusted EBITDA	£31.4m	£26.6m	18.0%	13.4%
Adjusted EBITDA margin	24.5%	23.0%	1.5%	1.6%
Adjusted operating profit	£26.2m	£21.5m	21.9%	17.6%
Operating profit	£17.0m	£19.5m	(12.8%)	(16.5%)

Law Enforcement

Law Enforcement revenue reduced to £27.3m (2018: £35.4m), a 27.1% decline on a constant currency basis. This was significantly impacted by both the extended U.S. Government partial shutdown during the first half of the year, which blocked the availability of Government funds and created the permanent timing impact of the delayed order intake from our U.S. customers, and the strong comparator of our 2018 performance. The permanent delay in the timing of orders received resulted in the anticipated 12.0% reduction in order intake on a constant currency basis. The carry over of orders into 2020 has resulted in an increased opening order book of £4.3m (2018: £3.5m).

We expect a stronger performance in 2020 for Law Enforcement due to the stronger opening order book and other identified opportunities for respirators, hoods and powered air systems.

Fire

Fire order intake grew on a constant currency basis by 5.0% to £15.4m due to increased sales in the Rest of World markets. The scheduling of fulfilment for those orders meant that Fire revenue dropped to £13.9m (2018: £14.2m) a reduction of 5.3% on a constant currency basis.

The decision to focus our SCBA portfolio on our core growth markets of Military and Law Enforcement customers, and exit from the Fire market, means that our future Fire orders and revenues will be from our leading thermal image camera range together with fulfilling the ongoing user requirements of our legacy SCBA customers. In 2018 revenues from the sale of original SCBA equipment to Fire customers was £6.3m, with exit costs in 2019 of £5.4m.

The strength of our opening order book of £3.0m (2018: £1.6m) from the ongoing Fire product portfolio gives us confidence that we will be able to continue to grow the non SCBA portfolio.

James Wilcox
President, Military

David Mack
President, Law Enforcement and Fire

milkrite | InterPuls

"The line of business trends reflect the difficult global dairy market trading conditions over the first half of the year. Improved farmer confidence is highlighted by the order intake growing ahead of revenue."

Orders received growth at constant currency

+4.5%

7% including the impact of currency movements

Orders received

£52.1m

(2018: £48.7m)

Orders received
£52.1m

Interface
Precision, Control & Intelligence
Farm Services

milkrite | InterPuls Review

"Looking ahead, stronger market conditions and benefits from improved operational efficiency in Europe put the business in a strong position to return to growth in 2020."

Financial performance

Revenue increased to £50.9m (2018: £49.8m); however, excluding the impact of the favourable currency movements revenue reduced marginally by 0.3% on a constant currency basis.

On a constant currency basis, Interface grew revenue by 0.8% but there were reductions in PCI revenue of 3.8% and Farm Services of 1.6%. The line of business trends reflect the difficult global dairy market trading conditions over the first half of the year. Improved farmer confidence in the second half is a reflection of increased global milk prices, with stable feed prices and moderate production volume growth. This is highlighted by the order intake growing ahead of revenue at £52.1m (2018: £48.7m), increasing 4.5% at constant currency and an opening order book of £3.7m (2018: £2.5m) providing confidence into 2020.

Adjusted operating profit and adjusted EBITDA reduced to £7.5m (2018: £8.0m) and £10.5m (2018: £10.9m) respectively, with constant currency decreases of 9.5% and 6.6% respectively. Operating profit was down to £3.8m (2018: £6.0m) taking into account the impact of the one-off vacant property impairment of £1.1m recognised in the year. The adjusted EBITDA margin of 20.6% (2018: 21.9%) reduced by 1.3% on a constant currency basis. The profit trends reflect the negative operational leverage from lower revenues and the costs of consolidating the European commercial operations into Italy.

Looking ahead, stronger market conditions and benefits from improved operational efficiency in Europe put the business in a strong position to return to growth in 2020.

Interface

Interface revenue increased to £36.9m (2018: £35.6m), including the impact of favourable currency movements. On a constant currency basis, Interface revenues grew by 0.8% driven by a stronger performance in Europe and Asia Pacific in the second half of the year highlighting the impacts of recovering farmer confidence and our strong relationships with customers.

North America revenues of £18.5m (2018: £17.8m) declined by 1.5% on a constant currency basis, reflecting the challenging market conditions over the year with increased farm closures and consolidation in the sector.

In Europe, revenue grew by 7.4% to £11.1m at constant currency. Asia Pacific liner revenues increased by 10.2%, at constant currency, as a result of our continued market penetration in these important Chinese and European markets during 2019.

	2019	2018	% Change	% Change at constant currency
Orders received	£52.1m	£48.7m	7.0%	4.5%
Closing order book	£3.7m	£2.5m	48.0%	48.1%
Revenue	£50.9m	£49.8m	2.2%	(0.3%)
Adjusted EBITDA	£10.5m	£10.9m	(3.7%)	(6.6%)
Adjusted EBITDA margin	20.6%	21.9%	(1.3%)	(1.3%)
Adjusted operating profit	£7.5m	£8.0m	(6.3%)	(9.5%)
Operating profit	£3.8m	£6.0m	(36.7%)	(38.9%)

Precision, Control & Intelligence

The sales of our PCI range were most affected by the difficult trading over the first half of the year with farmers more hesitant to invest during uncertain market conditions. Revenue fell to £8.7m (2018: £9.0m), a reduction of 3.8% at a constant currency rate as dairy farmers sought to delay investment in our PCI products until more certainty returned to the market. The stabilising market conditions from the spring onwards meant that farmers were more confident to invest in farm efficiency again, highlighted by the order intake of £9.1m (2018: £8.3m), an increase of 5.5% on a constant currency basis.

The strong closing order book of £1.4m (2018: £1.0m) gives us confidence in the stronger performance of PCI looking into 2020.

Farm Services

The challenging market conditions in North America impacted Farm Services and interrupted the growth of the lease model with the addition of new farms offsetting farm closures and consolidations. Reflecting the impact of the changing market dynamics, revenue of £5.3m (2018: £5.2m) was down 1.6% at constant currency. The constant currency decline was focused on North America which reduced by 5.3%, offset by an increase of 6.0% in Europe. The consolidation of the North American dairy market we've seen in 2019 will fundamentally support the return to growth in Farm Services as the larger dairies are most focused on labour and farm efficiency and animal welfare which is well supported by the full service model and direct to farm relationship of Farm Services.

Craig Sage
Managing Director, milkrite | InterPuls

Financial Review

The results reflect our ongoing initiatives to grow our core revenue and selected product development to create a business that is more sustainable for the future.

The Group has delivered a strong financial performance during the year with revenue and adjusted operating profit increasing at constant currency by 4.2% and 10.4% respectively.

Given our U.S. businesses constitute over 70% of the Group's revenue and profit, the weaker pound experienced across the year resulted in reported revenue increasing by 8.3% to £179.3m (2018: £165.5m) and reported adjusted operating profit increasing by 14.7% to £31.3m (2018: £27.3m) at actual currency.

As a result of the benefits from the first deliveries of the higher margin new products to the U.S. DOD, our adjusted EBITDA margin of 22.0% was 0.7% higher than last year on a constant currency basis.

After a tax charge of £3.4m (2018: £3.7m), an adjusted effective rate of 10.8% (2018: 13.6%), the Group recorded an adjusted profit for the year after tax of £28.0m (2018: £23.5m). The reduced tax rate resulted in adjusted basic earnings per share increasing to 91.7p (2018: 77.1p).

On a reported basis, after taking account of the amortisation of acquired intangibles, defined pension and administration costs and the one off charge for benefit enhancements and to equalise the pension benefits for men and women, the 3M ballistic protection acquisition costs, a one-off property valuation write-down and asset impairments relating to discontinuing our Fire SCBA product line, operating profit before tax was £14.4m (2018: £22.8m). Profit before tax was £13.7m (2018: £21.6m) and, after a tax credit of £0.6m (2018: £1.8m), which resulted in an effective rate of tax of (4.4%) (2018: 8.3%), profit from continuing operations was £14.3m (2018: £19.8m). Basic earnings per share from continuing operations were 46.9p (2018: 64.9p).

Operational cash generation has been impacted by the timing of the shipment of the $16.6m Rest of World Military mask system contract which means we will receive payment in the first quarter of 2020. As a result, adjusted EBITDA cash conversion was lower than usual at 63.5% (2018: 108.2%).

The operational cash performance and the costs incurred in the year in relation to the acquisition of 3M's ballistic protection business, resulted in a £1.8m increase in net cash during the year and a closing net cash balance of £48.3m (2018: £46.5m). This continuing strong cash position provides funding to enable the completion of the acquisition from 3M in the first half of 2020 and to support our organic growth strategy, investment in new product development and further value enhancing acquisitions.

Against this transformed outlook, the Board has increased the final dividend by 30% to 13.89p (2018: 10.68p) resulting in total dividends for the year of 20.83p (2018: 16.02p), also up 30% on 2018. This level of dividend increase is in line with our policy, and reflects our ongoing confidence in the future performance of the Group.

The closing order book of £40.4m reflects the continued strong performances across all the markets in which we operate and provides excellent visibility heading into the new financial year.

"The closing order book of £40.4m reflects the continued strong performances across all the markets in which we operate and provides excellent visibility heading into the new financial year."

CLOSING ORDER BOOK

£40.4m

(2018: £37.8m)

Segmental information

	2019 £m	2018 £m	Growth %	Growth at constant currency %
Orders received				
Avon Protection	129.8	124.6	4.2%	0.2%
milkrite | InterPuls	52.1	48.7	7.0%	4.5%
Total	181.9	173.3	5.0%	1.4%
Closing order book				
Avon Protection	36.7	35.3	4.0%	(1.1%)
milkrite | InterPuls	3.7	2.5	48.0%	48.1%
Total	40.4	37.8	6.9%	(0.7%)
Revenue				
Avon Protection	128.4	115.7	11.0%	5.9%
milkrite | InterPuls	50.9	49.8	2.2%	(0.3%)
Total	179.3	165.5	8.3%	4.2%
Operating profit				
Avon Protection	17.0	19.5	(12.8%)	(16.5%)
milkrite | InterPuls	3.8	6.0	(36.7%)	(38.9%)
Unallocated corporate costs	(6.4)	(2.7)	137.0%	129.2%
Total	14.4	22.8	(36.8%)	(39.4%)
Adjusted operating profit				
Avon Protection	26.2	21.5	21.9%	17.6%
milkrite | InterPuls	7.5	8.0	(6.3%)	(9.5%)
Unallocated corporate costs	(2.4)	(2.2)	9.1%	8.3%
Total	31.3	27.3	14.7%	10.4%
Adjusted EBITDA				
Avon Protection	31.4	26.6	18.0%	13.4%
milkrite | InterPuls	10.5	10.9	(3.7%)	(6.6%)
Unallocated corporate costs	(2.4)	(2.2)	9.1%	8.3%
Total	39.5	35.3	11.9%	7.7%
Adjusted EBITDA margin				
Avon Protection	24.5%	23.0%	1.5%	1.6%
milkrite | InterPuls	20.6%	21.9%	(1.3%)	(1.3%)
Total	22.0%	21.3%	0.7%	0.7%

Financial Review continued

Profit for the year

	2019 £m	2018 £m
Adjusted operating profit	31.3	27.3
Adjustments	(16.9)	(4.5)
Operating profit	14.4	22.8
Net finance costs	(0.7)	(1.2)
Profit before taxation	13.7	21.6
Taxation	0.6	(1.8)
Profit from continuing operations	14.3	19.8
Discontinued operations	–	1.6
Profit for the year	14.3	21.4

Adjustments

Adjustments of £16.9m (2018: £4.5m) excluded from adjusted operating profit comprise of: £2.9m (2018: £0.9m) of one off cash costs incurred in the year related to the acquisition; £5.4m (2018:£nil) of one off non-cash asset write-downs related to the exit from the North American Fire SCBA market; £1.1m (2018: £nil) in relation to a market driven surplus property non-cash write-down in Italy; amortisation of acquired intangible assets of £3.5m (2018: £3.1m); pension administration costs of £0.5m (2018: £0.5m); and the one off charge to equalise the pension benefits for men and women and past service costs of £3.5m (2018: £nil).

Finance costs

Net interest income was £0.2m (2018: £nil). Other finance expenses of £0.9m (2018: £1.2m) primarily represents the unwinding of the discount on the net pension liability and, as in previous years, have been excluded from adjusted profit for the year.

Taxation

Taxation was a credit of £0.6m (2018: £1.8m charge) which consists of a £2.8m charge relating to the current year and a £3.4m credit in respect of previous periods. The £3.4m credit in respect of previous periods includes a £3.1m credit in connection with the release of provisions following the successful resolution of a number of prior year uncertain tax positions.

Profit from discontinued operations

The profit from discontinued operations of £1.6m in 2018 was comprised of the profit after tax of AEF up to the date of disposal on 30 March 2018 of £0.5m and the post tax gain on disposal of £1.1m.

Net cash and cash flow

Cash generated from operations was £23.2m, compared to £37.9m in 2018 and was impacted by the timing of the cash receipt in respect of the $16.6m Rest of World Military mask system contract, which given the timing of the shipment of goods we will receive in the first quarter of 2020. This also impacted operating cash conversion from adjusted EBITDA which reduced to 63.5% (2018: 108.2%).

	2019 £m	2018 £m
Cash flows from continuing operations before the impact of exceptional items	25.1	38.2
Cash impact of exceptional items and discontinued operations	(1.9)	(0.3)
Cash flows from operations	23.2	37.9
Net interest	0.2	–
Payments to pension plan	(1.5)	(1.5)
Tax	(6.1)	(5.0)
Purchase of property, plant and equipment	(3.9)	(3.3)
Capitalised development costs and purchased software	(4.0)	(5.6)
Acquisitions	–	(1.4)
Divestments	–	6.5
Purchase of own shares	(1.3)	(1.1)
Dividends to shareholders	(5.4)	(4.1)
Foreign exchange and other items	0.6	(0.6)
Increase in net cash	1.8	21.8

"Our strong balance sheet gives us the capacity to both complete on the acquisition of 3M's ballistic protection business in the first half of 2020 as well as to fund our growth strategy and make further acquisitions."

R&D SPEND AS A % OF REVENUE

4.6%

At the year end, the Group had net cash of £48.3m (2018: £46.5m) and an undrawn extended U.S. dollar denominated bank facility of $85.0m (£69.0m) (2018: $40.0m (£30.7m)), which is committed to 6 August 2022, with an option to extend for a further year.

Our strong balance sheet gives us the capacity to both complete on the acquisition of 3M's Ballistic Protection Business in the first half of 2020 as well as to fund our growth strategy and make further acquisitions. Our policy is to maintain a strong financial position and keep the ratio of net debt to adjusted EBITDA under two times.

Acquisition of 3M's ballistic protection business

We signed an agreement to acquire 3M's ballistic protection business and the rights to the Ceradyne brand in August for an initial cash consideration of $91.0m (£75.0m), with a further potential contingent consideration of $25.0m (£21.0m). We expect to complete the acquisition in the first half of 2020 once U.S. regulatory approvals have been received. We have incurred associated acquisition costs in the year of £2.8m.

Research and development expenditure

We continue to invest for the future and our total investment in research and development (capitalised and expensed) amounted to £8.2m (2018: £9.7m) as shown below. Total research and development as a percentage of revenue was 4.6% (2018: 5.9%).

	2019			2018		
	Avon Protection £m	milkrite | InterPuls £m	Group £m	Avon Protection £m	milkrite | InterPuls £m	Group £m
Total expenditure	7.3	0.9	8.2	8.6	1.1	9.7
Less customer funded	(2.5)	–	(2.5)	(3.0)	–	(3.0)
Group expenditure	4.8	0.9	5.7	5.6	1.1	6.7
Capitalised	(3.2)	(0.5)	(3.7)	(5.0)	(0.5)	(5.5)
Income statement impact of current year expenditure	1.6	0.4	2.0	0.6	0.6	1.2
Amortisation	3.0	0.3	3.3	2.2	0.3	2.5
Total income statement impact before exceptionals	4.6	0.7	5.3	2.8	0.9	3.7
Revenue	128.4	50.9	179.3	115.7	49.8	165.5
R&D spend as % of revenue	5.7%	1.7%	4.6%	7.4%	2.2%	5.9%

In Avon Protection, the most significant investments have been in the production preparation for the GSR for the U.K. MOD, the continued development of the MCM100 and the next generation hood programmes. In milkrite | InterPuls, investment expenditure has been focused on the compact milk meter for sheep and goats and updating the software in our intelligence Farm Controller.

Accounting standards changes

With effect from 1 October 2019 the way that leases are accounted for changes for the Group with the underlying principle being that all leases will be reported on the balance sheet from that date. The Group will be required to recognise a right of use asset for all the current operating leases above 12 months in length and excluding those of low value and a lease liability representing the present value of the lease payments to the end of the lease life.

The impact of the changes on the financial statements from that date are that £6.5m of leasehold assets and £10.2m of leasehold liabilities will be added to the balance sheet with the £3.7m net balancing figure reflected as an opening reserves adjustment. The changes also impact the presentation of the income statement as the current recognition of lease payments are moved to be included within finance costs. This will improve the Group's EBITDA margin by approximately £2.0m but with minimal impact on operating profit and earnings per share. There are no changes to the cash flow metrics as these are all non-cash presentational changes.

Financial Review continued

Pensions

The Group has a U.K. pension scheme which is closed to future accrual. The net pension liability, as measured under IAS 19 (revised), is £43.0m (2018: £30.5m). The £12.5m increase in the deficit over the last year is largely due to the decrease in discount rates reflecting the lower corporate bond return outlook which has been slightly offset by the lower actuarial mortality assumptions which are being reflected in the market.

On 26 October 2018 the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension scheme. The judgement concluded that pension schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension ('GMP equalisation') benefits. Our actuarial advisers have calculated the additional liability for this amendment at £3.5m and this has been booked during the year as an adjustment to operating profit for the year as this is an exceptional non-recurring expense.

The results of the triennial funding valuation, as at 31 March 2016, showed the plan to be 90% funded on a continuing basis with a deficit of £33.8m. As part of the deficit recovery plan contributions of £1.5m were paid to the pension fund during the year (2018: £1.5m). The level of contributions will be reassessed following the conclusion of the triennial funding valuation which started in March 2019 and will conclude during the 2020 financial year, and are expected to be at least the same as the previous year.

Financial risk management

The Group has clearly defined policies for the management of foreign exchange risk. Exposures resulting from sales and purchases in foreign currency are matched where possible and net exposure may be hedged by the use of forward exchange contracts. The initial consideration of $91m for the agreement to acquire 3M's ballistic protection business exposed the Group to foreign exchange risk on the U.S.$ equivalent of the sterling net cash held on the balance sheet and to match this risk the Group entered into a deal contingent forward contract to hedge £35m of cash held at the year end. The Group does not undertake foreign exchange transactions for which there is no underlying exposure.

Credit and counterparty risk are managed through the use of credit evaluations and credit limits. Cash deposits are made at prevailing interest rates which are not generally fixed for more than one or two months. Borrowings and overdrafts are at floating interest rates. The Group does not carry out any interest rate hedging.

Currency effect

The Group has translational exposure arising on the consolidation of overseas company results into sterling. Based on the current mix of currency denominated profit, a one cent appreciation of the U.S. dollar increases revenue by approximately £1.1m and operating profit by approximately £0.2m. A one cent appreciation of the euro increases revenue by approximately £0.1m and has nil impact on operating profit.

Dividends

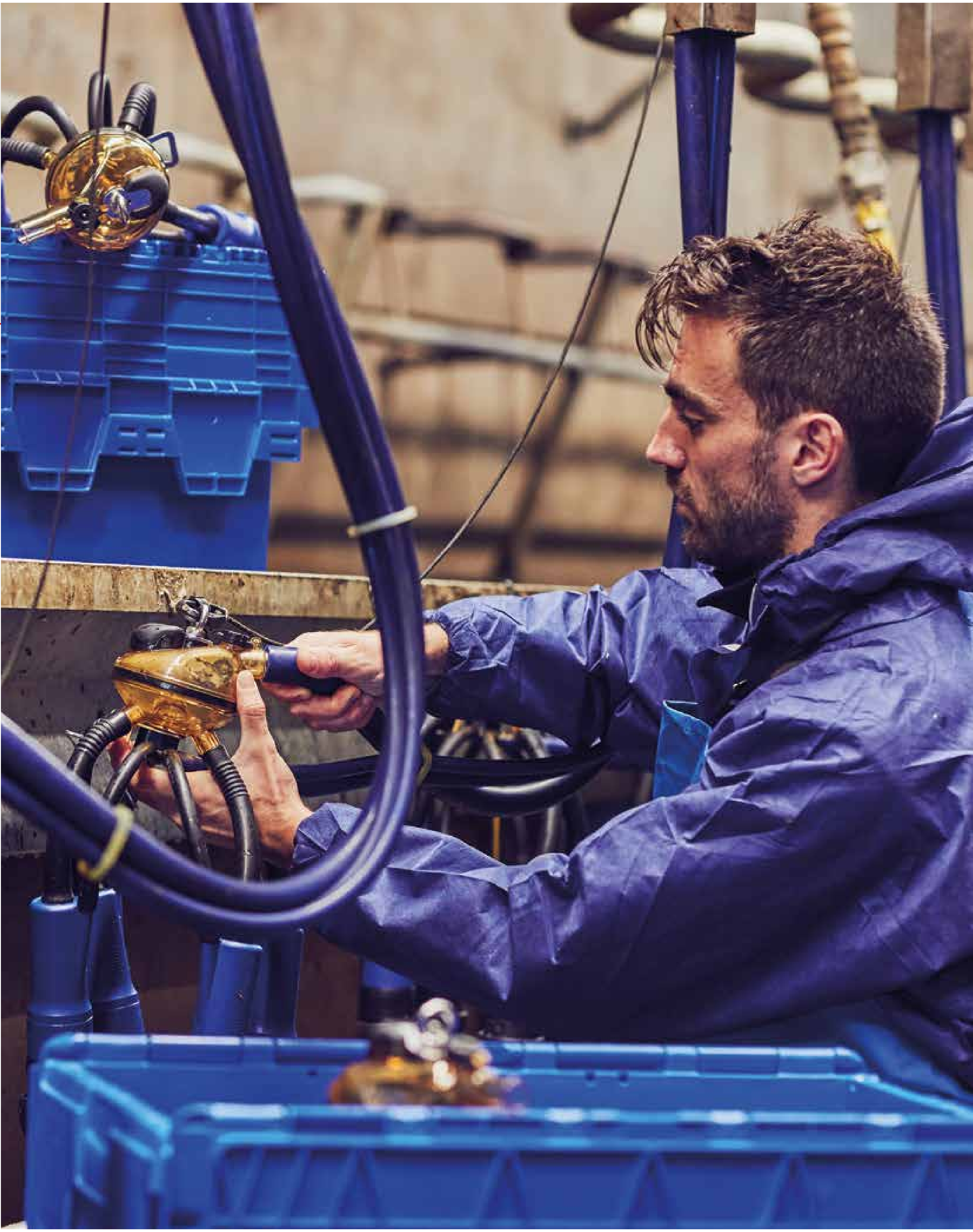
The Board is recommending a final dividend of 13.89p per share (2018: 10.68p) which together with the 6.94p per share interim dividend gives a total dividend of 20.83p (2018: 16.02p), up 30% on last year. The final dividend will be paid on 13 March 2020 to shareholders on the register at 14 February 2020 with an ex-dividend date of 13 February 2020.

Our policy is to maintain a progressive dividend policy balancing dividend increases with the rates of adjusted earnings per share growth achieved, taking into account potential acquisition spend and the Group's financing position. Over recent years, we have grown the dividend per share by 30% per annum and we expect to continue to grow dividends ahead of earnings over the medium-term. Our policy is to maintain dividend cover (the ratio of dividend per share to adjusted earnings per share) above two times. This year dividend cover was 4.4 times (2018: 4.8 times). Once dividend cover has reduced to two times we intend to increase dividends in line with the growth in adjusted earnings per share.

Nick Keveth
Chief Financial Officer

13 November 2019

"Over recent years, we have grown the dividend per share by 30% per annum and we expect to continue to grow dividends ahead of earnings over the medium-term."



Principal Risks and Risk Management

The Group has an established process for the identification and management of risk, working within the governance framework set out in our corporate governance statement (see pages 64 to 67). Ultimately the management of risk is the responsibility of the Board of Directors, and our system of risk management, which is intended to be comprehensive and robust, continues to evolve as the Group and the environment in which it operates increases in size and complexity. The planned acquisition will significantly increase the size and complexity of the Group and will require our system of risk management to evolve more rapidly than in the past to accommodate it. The Board's role in risk management includes promoting a culture that emphasises integrity at all levels of business operations and setting the overall policies for risk management and control.

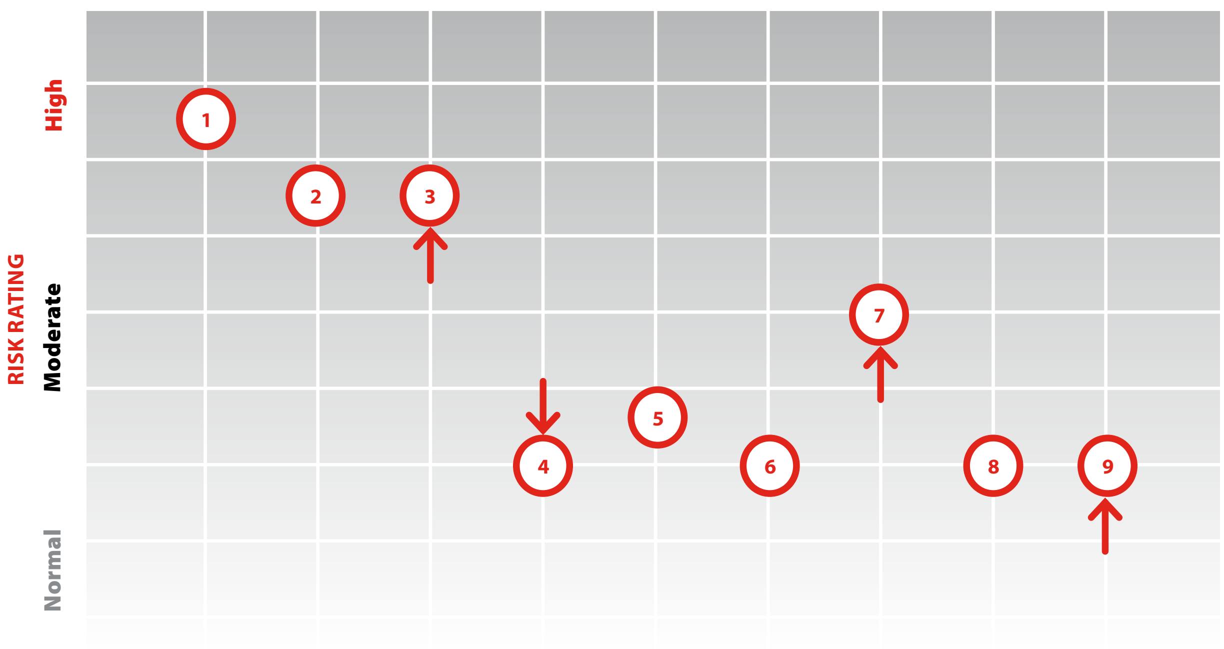
During the year the principal risks affecting the Group were fully reviewed and categorised by the Group Executive team and approved by the Board. Each risk area continues to have priority tasks allocated to it that are the responsibility of the members of the Group Executive to deliver during the financial year. This process inherently manages risk by ensuring the principal risks are being mitigated by prioritised business activity.

As we move into 2020 increased focus is being given to how effectively risk is being mitigated by the control structures and processes embedded throughout the Group. Both divisional executive teams provided feedback on this to the risk management steering group during the year and this group has continued the process of holding quarterly reviews of the effectiveness of these control structures and has established a set of supporting key risk indicators.

The following pages include an insight into what happened in 2019 and the key areas of focus for 2020.

The principal risks are listed on the following pages in order of significance and potential financial impact on the Group. We have made this assessment with reference to both the volume and intensity of activity in each risk area, and alongside, through the assessment of the potential severity of impact. The categorised risk themes within the principal risk areas are shown alongside. Available mitigations in the form of control structures are shown next to each identified risk area.

Risk rating and movement in 2019



1. **Strategic initiatives**
2. **Market threat to core business**
3. **Talent management**
4. **Cyber security and information technology**
5. **Customer dependency**
6. **Financial management**
7. **Manufacturing risk**
8. **Compliance and legal matters**
9. **Political and economic stability**

Strategic risks

Risks affecting the achievement of the Group's strategic objectives.

Financial risks

Issues that could affect the finances of the business both externally and internally.

Operational risks

Matters arising from the operational activities of the Group relating to areas such as sales, product development, procurement, and dealings with commercial partners.

1. Strategic initiatives

Business risk	What happened in 2019	Mitigation	Focus for 2020
• Failure to identify correct strategic projects or to deliver them • Failure to identify and implement new products • Failure to identify, complete and integrate acquisitions **Impact on** • Strategy delivery • Sales, costs and profitability • Employee morale	• $340m of long-term contracts awarded and first orders for key new products; M69 and M53A1 • Milestone transaction agreed to acquire 3M's ballistic protection business in line with strategy and acquisition criteria • Strategic decision to focus SCBA product portfolio on Military and Law Enforcement customers • Continued commitment to capital investment to deliver enhanced product range to meet customer requirements • Consolidation of milkrite | InterPuls EU operations demonstrates focus on operational efficiency	• Board oversight of clear strategy definition and communication combined with effective management • Product development linked to Group strategy and customer requirements • Intellectual property protection considered and implemented • Clear acquisition strategy and alignment with divisional structures	• Delivering new product programmes to meet customer requirements within capital allocated budget • Continued focus on operational efficiency and further value enhancing acquisitions • Transition of 3M's ballistic protection business from under 3M ownership to a functioning Avon business unit following the forecast completion during first half of 2020. Regular Board oversight of this activity

2. Market threat to core business

Business risk	What happened in 2019	Mitigation	Focus for 2020
• Lack of sales growth/threat to current sales • Loss of major bids/tenders • Threat from competitors **Impact on** • Sales, costs and profitability	• Sustainable order intake growth achieved in core lines of business • Product sales base expanded with the first orders for M69 and M53A1 • Strategic decision to focus tactical SCBA product portfolio on core Military and Law Enforcement markets • Avon Protection leadership team focused on supporting key customer relationships and sales strategy • Integration and streamlined European milkrite | InterPuls operations	• Customer relationships prioritised and managed through dedicated leadership channels • Product differentiation/innovation and diversification and protection of intellectual property • Diversified sales channels with comprehensive distribution/ intermediary network • Effective and up to date competitor monitoring and analysis to maintain competitive advantage	• Continued sustainable growth in all lines of business and order growth in new products • Focus on integrating the new ballistic product lines for helmets and body armour following the acquisition of 3M's ballistic protection business • Focus on continuing to grow our market share with our Rest of World and Law Enforcement customers

Principal Risks and Risk Management continued

3. Talent management

Business risk	What happened in 2019	Mitigation	Focus for 2020
• Poor employee competence and failure to train and develop • Inability to recruit and retain talent • Dysfunctional organisational structures	• Refreshed and relaunched employee satisfaction survey • Continuing commitment to graduate and internal leadership training programmes to develop talent base • Focus on integrating the separate leadership for Military and Law Enforcement combined with extensive succession planning for key roles in the organisation • Continued alignment of annual bonus scheme targets across all employees	• Robust succession planning and effective performance management process • Effective training and development strategy and activities • Appropriate organisational structure with clear lines of authority and communication • Maintaining positive Avon culture – Great Place to Work	• Continued focus on people and culture including launch of new pulse surveys to gauge and respond to employee satisfaction • Supporting the successful transition of our new people following the completion of the acquisition of 3M's ballistic protection business • Respectful workplace and career progression initiatives • Focus on improving skillsets within programme management and other operational functions to support more efficient delivery • Investment in HR resource and structures across the Group

Impact on

- Strategy delivery
- Sales, costs and profitability
- Employee morale

4. Cyber security and Information technology

Business risk	What happened in 2019	Mitigation	Focus for 2020
• Business interruption/cash cost of cybercrime and fraud • IT system or communications failure could lead to business continuity event • Military security requirements result in excess cost and management time. Failure to comply results in loss of contract	• Delivered improved IT system resilience and efficiency by completing our transition to a third party cloud platform • Strengthened the IT leadership team through a number of senior appointments • Improved cyberdefences through increased coverage from third party provider and deployment of new security tools including fully encrypted remote access using the industry leading ZScaler service.	• IT strategy anticipates forthcoming requirements. IT sufficiently resourced with specialists to ensure compliance • Robust network/IT controls and security protocols/policy • Cyber insurance and IT disaster recovery plan and backup	• Continued focus on infrastructure stability and IT operating efficiency • Focus on successful migration to Windows 365 to support IT operations and security • Supporting the transition of 3M's ballistic protection business from reliance on 3M IT systems to a functioning Avon business unit on Avon systems following the transitional support period

Impact on

- Ability to ship products
- Financial loss
- Reputational damage

5. Customer dependency

Business risk	What happened in 2019	Mitigation	Focus for 2020
• Over reliance on customers, e.g. the U.S. DOD, and its funding and contract process • Failure to diversify customer base • Negative impact of Dairy market cycle on customer buying behaviour **Impact on** • Sales and profitability	• First orders received and deliveries made for M69 and M53A1 underpin strong relationship with the U.S. DOD • MCM100 technical capability differentiation supported full programme of dive trials and supply of evaluation units • Strengthening relationship with U.K. MOD following user acceptance testing for U.K. GSR • Focused Law Enforcement leadership to expand customer base • Significant increase in sales to Rest of World customers and strong visible pipeline of future opportunities	• Strong customer relationship management with an appropriate team structure, communication and customer service • Understanding our Military customer requirements and forthcoming procurement requirements • Strategy provides for diversification of customer base • Regular tracking of Dairy market cycle indicators and mitigation plan for market downturn	• Continued focus on customer relationships and strong dealer/ distribution network • Cross selling portfolio to Rest of World and Law Enforcement customers • Leverage stabilising dairy market and returning customer confidence to improve sales

6. Financial management

Business risk	What happened in 2019	Mitigation	Focus for 2020
• Insufficient management of risks for tax, cash flows and foreign currency exposure • Insufficient funding capacity to meet strategic objectives • Insufficient overhead control and working capital management erode margins or impair investment ability • Poor quality financial reporting and business information impacts decision making **Impact on** • Costs and profitability • Reputational damage	• Net cash of £48.3m at the year end provides capital allocation flexibility • Strong underlying operating cash conversion delivered sustainable cash flows • Extension of undrawn $85m revolving credit facility to support acquisition of 3M's ballistic protection business • Consolidation of milkrite | InterPuls EU operations and Chelmsford facility relocation to support operational efficiency • Deal contingent forward contract entered to hedge sterling net cash held on the balance sheet in advance of acquisition of 3M's ballistic protection business • Successful resolution of a number of outstanding IRS tax audits with no adjustments	• Robust and professional corporate finance function supported by network of professional advisors • Full compliance with bank facility covenant requirements • Robust internal financial control and divisional reporting procedures supported by the external and internal audit process • Effective currency hedging strategy	• Continued focus on strong cash generation, foreign exposure mitigation and working capital management

Principal Risks and Risk Management continued

7. Manufacturing risk

Business risk	What happened in 2019	Mitigation	Focus for 2020
• Poorly functioning supply chain impacts production and cost of manufacture • Quality control process failure leads to product recall • Health and safety incident results in plant closure and prosecution/fines • Poorly managed distribution or logistics network impacts delivery and reputation • Delays in new product introductions	• Consolidation of milkrite | InterPuls EU operations supported manufacturing efficiency • Relocation and consolidation of Chelmsford supports manufacturing efficiency • No product recalls or significant warranty claims in the year highlights quality product control • Very low rate of health and safety incidents • Established supply chain and inventory management quarterly steering group to focus on improving efficiency and supply chain cost downs	• Robust supplier audit and quality management • Written supply agreements in place including dual source where necessary • Robust manufacturing/ operational disciplines and fully functioning and effective systems • Strong site leadership and engaged, motivated manufacturing workforce • Insurance and effective business continuity planning	• Continued focus on operational efficiency and programme of continuous improvement • Focus on successful transition of the three facilities from 3M's ballistic protection business • Focus on enhancements to the Group operational and programme management leadership structure

Impact on

- Costs, sales and profitability

8. Compliance and legal matters

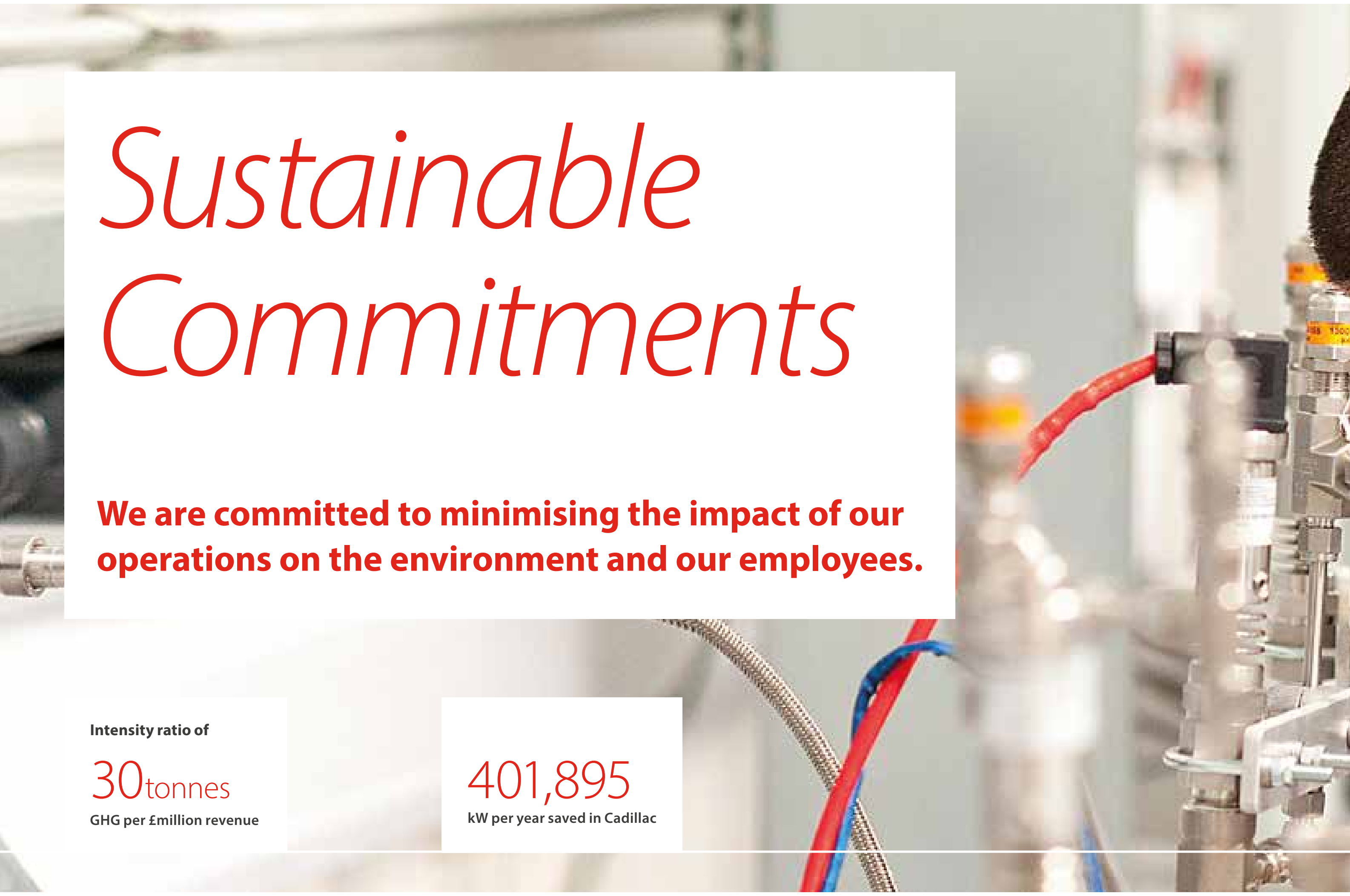
Business risk	What happened in 2019	Mitigation	Focus for 2020
• Failure to comply with export controls slows or removes ability to ship abroad • Prosecution, fines and negative publicity resulting from bribery and corruption • Litigation drains cost and management time negatively impacting other areas • Failure to comply with government contract obligations results in loss of contract	• U.K. Export Control audit passed • No U.S. voluntary disclosures or export control breaches • Code of Conduct reviewed and communicated • Respectful Workplace policy released • U.S. Government audit at Cadillac passed	• Effective export control policy supported by training • Effective anti-bribery and corruption policy supported by training • Embedded and effective Code of Conduct • Effective internal legal and finance function • Effective Government contract specialist knowledge reporting at a senior level	• Maintain high standards and integration of compliance teams within the businesses • Implementation of U.S. security clearance to support acquired 3M U.S. DOD helmet and body armour contracts • Onboarding of the 3M ballistic protection business to Avon's legal and compliance processes

Impact on

- Ability to ship products
- Financial loss
- Reputational damage

9. Political and economic stability

Business risk	What happened in 2019	Mitigation	Focus for 2020
• Unpredictable timing/amount of Federal funding for Fire and Law Enforcement customers • U.S. DOD budgets/funding withdrawn • Negative impact from Brexit on: trade, regulation, people, contracts and IP **Impact on** • Sales and profitability • Ability to ship products • Financial loss • Reputational damage	• Continual monitoring of potential Brexit implications and wider global trading conditions • Partial U.S. Government shutdown impacted Law Enforcement revenues and the timing and receipt of orders • Wider proliferation of chemical weapons use raising awareness of commercial and military customers readiness assessment and product effectiveness • Close monitoring of the milk to feed price ratio to forecast changes in farmer confidence	• Close monitoring of Federal funding and budget position • Lobbyist/Government advisers and key influencers aligned to Avon's interests • Brexit risk assessment and identified mitigations ready for implementation	• Readiness and planning for potential changes in global trading conditions • We are less exposed to the political instability and impact on trading of Brexit with our U.S.-based businesses constituting around 70% of the Group and subsequent to the consolidation of our EU operations in Italy.



Sustainable Commitments

We are committed to minimising the impact of our operations on the environment and our employees.

Intensity ratio of

30tonnes

GHG per £million revenue

401,895

kW per year saved in Cadillac

A forward thinking approach to health and safety and our environmental impact is of paramount importance. We endeavour to maintain a culture of continuous improvement to build upon our excellent record.

Health & safety

We safeguard the health and safety of everyone working on site. All employees are encouraged to take an active role in ensuring that our working environment is a safe place to work and visit. Employees report all observations, engage in safety audits, assessments and attend regular training sessions.

During the year, we held monthly global Health and Safety meetings where information, knowledge and ideas are shared to implement best practice across our sites and create a positive attitude towards safety. In addition, our management teams put considerable focus on potential hazard reporting, to ensure the appropriate action is taken before any incident or an accident can occur.

Environment

We are driven by the beliefs of our employees and our responsibility as an operations based business, to minimise our impact on the environment. Our commitment stems from the clear benefits of sustainable practices.

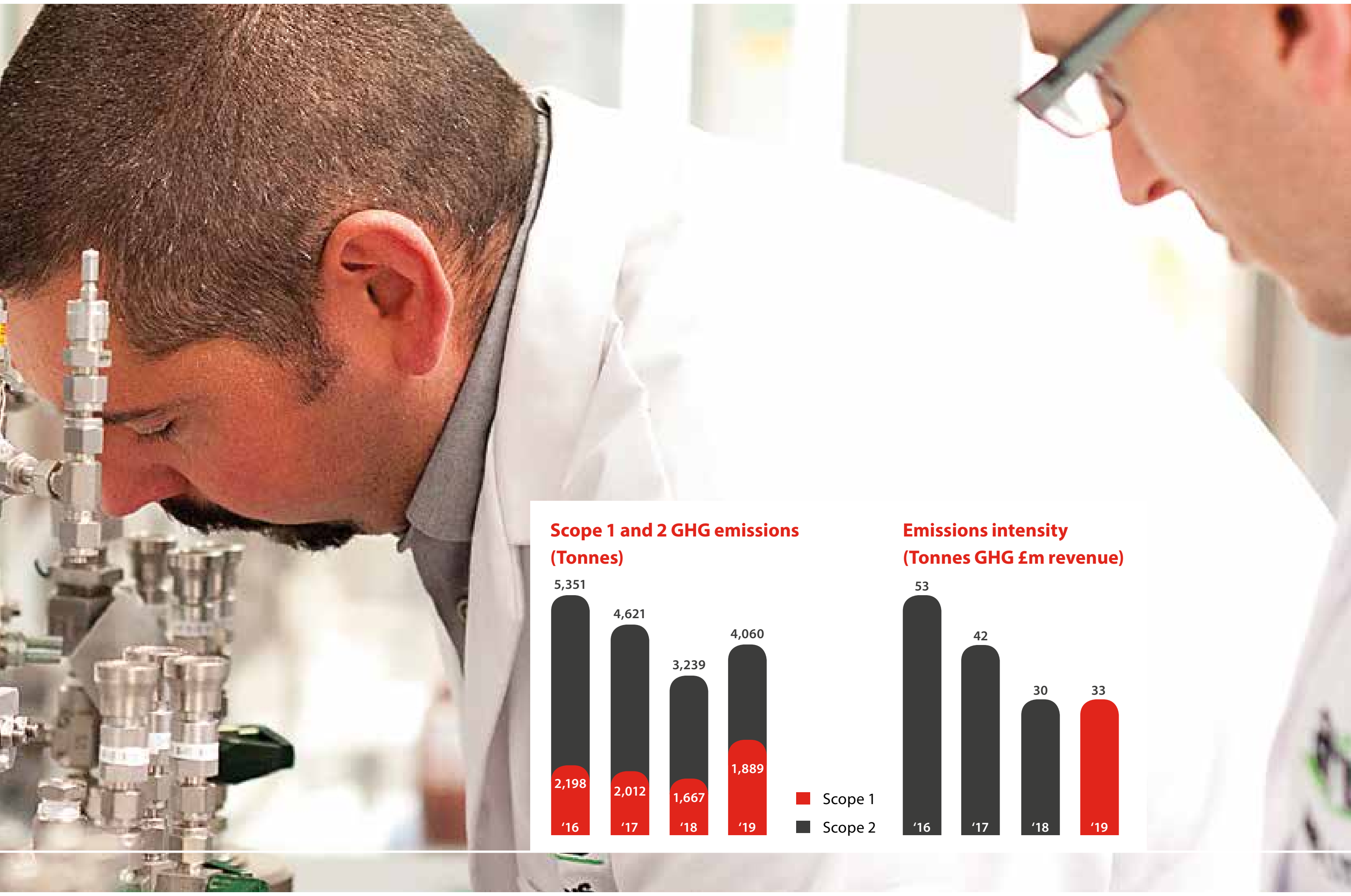
Our staff actively engage in waste material separation with a focus on re-use, where possible, and recycling of paper, metal, plastic, cardboard and used products. We monitor our electricity, gas and water usage frequently to establish progress against our annual targets. We aim to make improvements to reduce energy consumption and to reduce waste going to landfill.

With evolving environmental legislation globally, we ensure compliance through regular updates to our processes demonstrated by our continued membership of the Institute of Environmental Management and Assessment. Our U.K. operations also conform to ISO14001:2015, which reinforces how we manage our environmental responsibilities.

There have been no internal or external environmental incidents or concerns throughout the 2019 financial year at any of our locations.

Carbon emissions – disclosure

As required under the Companies Act 2006 Regulations 2013 we have disclosed the details of greenhouse gas emissions for which we are responsible, and included details of other environmental matters for which key performance indicators are selected.



We have employees based in each of our facilities who are responsible for collecting and acting on the relevant data.

The collected data allows us to monitor and examine carbon emission trends and track our progress against our internal sustainability goals.

Greenhouse Gas (GHG) Emissions

The chart above (left) illustrates the Group's greenhouse gas emissions in tonnes, between 2015 and 2019.

The chart above (right) illustrates the Group's emissions intensity per £million of revenue between 2016 and 2019.

A number of factors have contributed to the Group's energy performance during the year including a reduction in electricity and energy use due to management activities.

For example, a compressed air leak audit, the subsequent replacement of compressor units and respective management software ensured the Cadillac facility saved 401,895kW per year.

With revenue for the year at £179.3m and the total emissions of carbon dioxide equivalent to 5,949 tonnes, this gives an intensity ratio of 33 tonnes GHG per £million revenue.

Data collection methodology

We have followed the Defra 'Guidance on how to measure and report your greenhouse gas emissions' and the Defra/DECC 'Conversion Factors for Company Reporting'.

Scope 1 emissions are from those direct sources that are owned by the Group (e.g. from direct combustion of natural gases within our facilities and company-owned transport).

Scope 2 emissions comprise those emissions for which the Group is indirectly responsible excluding transmissions and distribution losses (e.g. from the electricity we purchase to operate machinery and equipment).

Sustainable materials group

Our in-house lab provides innovative research and development capabilities creating new polymer formulas and expanding the Group's understanding of polymer technology. Artis continue to accelerate the development and adoption of sustainable materials though the Sustainable Materials Group, where key industry players meet as a community to discuss developments and opportunities.

2020 focus

We will continue to drive towards a world-class level of safety performance, focus on management and the reduction of safety risk; and drive strong environmental performance through enhanced practices and visible leadership.

This forms part of our continuing efforts to build a culture of responsible behaviour and ethical decision-making.

Responsible Business

We continue to build a culture where our people are empowered to make the right decisions and know where to go to seek help or guidance.

The Company's Code of Conduct ('the Code') is the framework that offers this guidance to employees.

The Code sets out the values and standards of behaviour expected from all those working for or on behalf of Avon Rubber and the 2019 version is available on the Group's website. The Code requires all representatives of the Group comply with the laws and regulations in the countries in which we operate. We understand that implementing this Code across all the markets we do business in can be challenging given the potentially complex differences. We therefore assess and manage any risks and the processes behind these to ensure we maintain the highest ethical standards. The Code also contains guidance on avoiding conflicts of interest, confidentiality, adherence to export controls, our approach to gifts and hospitality, bribery and corruption and managing relationships with third parties.

We encourage everyone to report any behaviour, which may be a breach of the Code, or is unethical or illegal through our confidential 'Speak Up' system.

We implement and adapt effective systems to uphold our zero-tolerance approach to bribery and corruption. To ensure we only work with third parties whose standards are consistent with our own, all agents and third parties who act on behalf of the Group are obliged by written agreement to comply with the standards set out in the Code. In addition, a programme of supplier audits exists to ensure suppliers adhere to our standards.

We are fully committed to respecting the human rights of all those working with or for us. We do not accept any form of child or forced labour and we will not do business with anyone who fails to uphold these standards.

We have a zero-tolerance approach to modern slavery and are committed to acting with integrity in all business dealings and relationships and to implementing and enforcing effective measures to ensure modern slavery is not taking place in the business or its supply chains. Our Modern Slavery Act statement is available on our website for further details.

LINK TO STRATEGY

SPEAK UP!

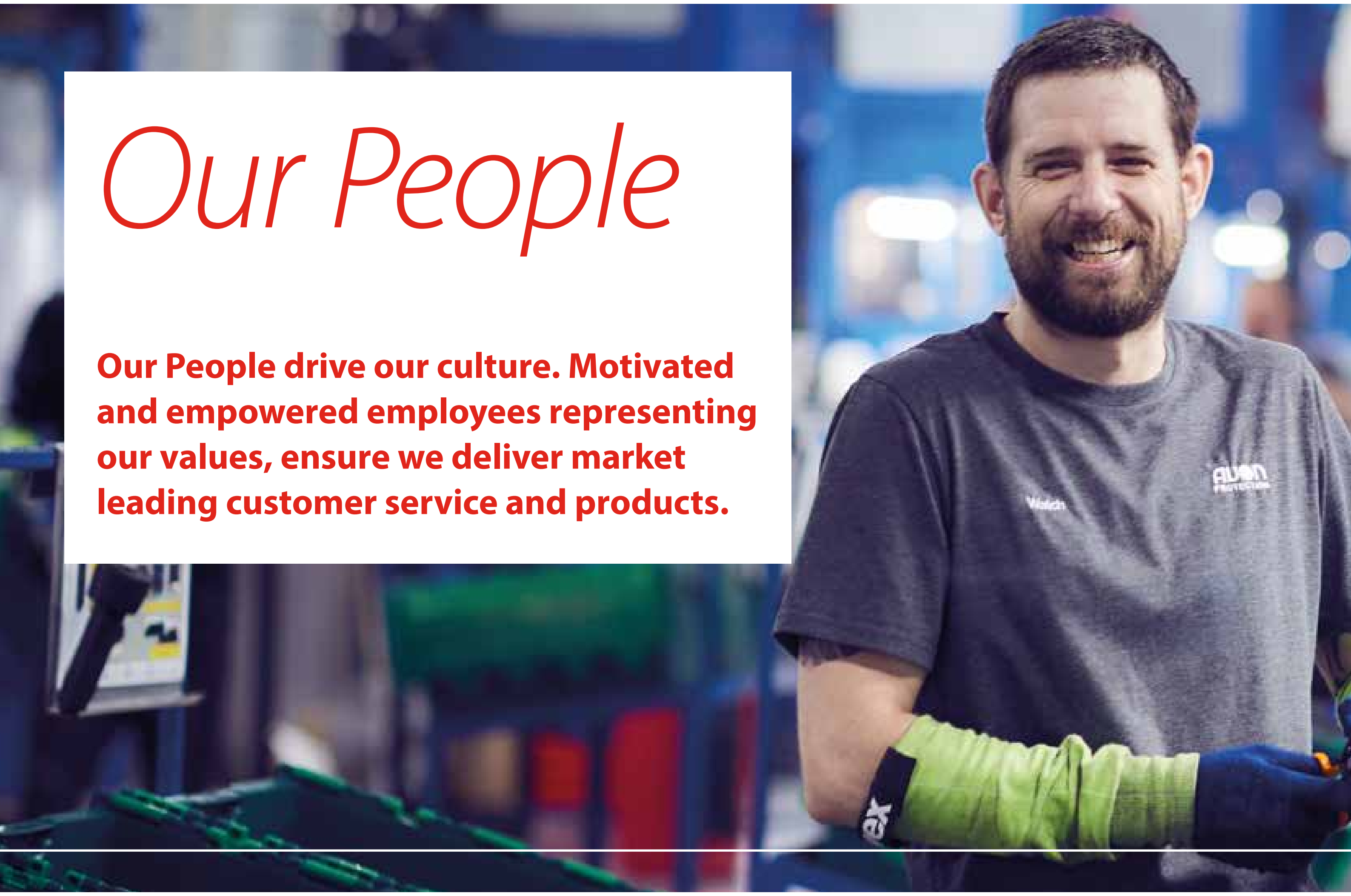
For more information, go to our website at:
www.avon-rubber.com/investors/

Our employees are the heartbeat of our company and are at the core of our collective success.

We are committed to ensuring that Avon is a supportive work environment, where everyone has the opportunity to reach their fullest potential and we are committed to providing a workplace culture that is free of harassment, intimidation, bias, and discrimination and providing a working environment where each and every employee is treated with dignity and respect.

This year we have made significant developments towards a diverse and inclusive culture through the launch of several major policies, including our 'Respectful Workplace' policy.

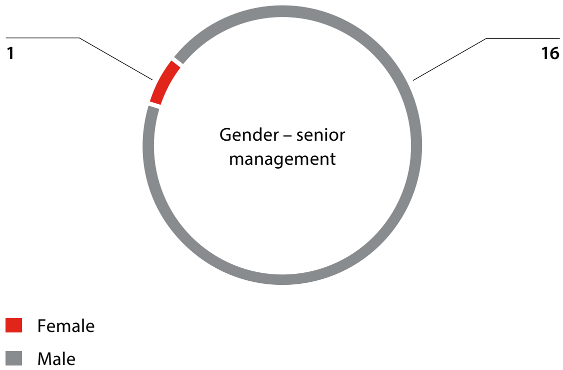
To reinforce this we also relaunched our 'Speak Up' channel for employees to anonymously report any behaviour, which may be a breach of the Code, or is unethical or illegal.



Our People

Our People drive our culture. Motivated and empowered employees representing our values, ensure we deliver market leading customer service and products.

Our success depends on our people.



The Board maintains succession planning as a key priority, and it is noted as a principle risk. The Group continues to strengthen its commitment to developing home-grown talent through our range of apprenticeships, graduate programme and training and development opportunities. Our aim is to grow a diverse culture and support all employees to give their best and continue to recognise, encourage and nurture talent across our business.

We are committed to providing a working environment where everyone feels respected and valued. Inclusivity is key to our culture and we pursue equality of opportunity in all employment practices, policies and procedures regardless of race, nationality, gender, age, marital status, sexual orientation, disability and religious or political beliefs. This year we launched the 'Respectful Workplace' Policy underpinning our belief.

We are committed to increasing the number of women in senior executive positions by developing our recruitment processes and retaining more women within the Company. A formal Board Diversity Policy is in place, a copy of which can be found in the Corporate Governance section of our website.

We strive to remain as adaptable, motivated and responsible to our employees as we are to our customers.

LINK TO STRATEGY

Building our talent pipeline

This year we started our third Professional Development Programme (PDP). PDP is a year-long talent development programme that Avon launched in 2013. The aim of the programme is to identify, encourage and support the next generation of internal talent to contribute to the business beyond the scope of their current roles.

Approximately 12 employees are selected to participate across the Group. The 12-month programme is kicked off with a residential launch event held in the U.K. led by our partners the Tom Peters Company. The launch event introduces a process by which participants set personal development targets. These are worked on for the year of the programme with internal mentor support. Mentors are executive team members who provide a source of advice and support for the participants in addition to their line manager.

For more information, go to our website at:
www.avon-rubber.com/investors/

Engaging our Employees

Great Place to Work is a framework that gives every employee an opportunity to contribute towards a culture that truly makes Avon Rubber a fantastic employer.

Recognition

We look to motivate our employees through appropriate recognition and reward programmes. We believe everyone deserves to be recognised when they achieve something special, we always strive to show our support and appreciation for employee achievements.

What we do

- Employees can nominate colleagues whom they believe embody our CREED values.
- Quarterly and annual winners selected from the monthly nominations.
- Long service awards are a way for us to demonstrate our appreciation to those that have reached significant milestones. 190 awards have been given to employees this year.

190
Recognition awards given globally

Communication

Employee engagement is critical to our success and effective communication throughout the business is vital in achieving this. We listen to employees and strive for continuous improvement; through frequent events, we encourage communication and innovation.

Our strategy, performance and business priorities are communicated via the annual CEO Roadshow, our intranet sites, email, quarterly newsletters and regular employee meetings at all levels of the organisation.

Organisation

The annual employee opinion survey provides all employees the opportunity to anonymously provide their feedback to executive and senior management regarding the business. This year we introduced a technology driven survey, with enhanced analytics to target high impact opportunities and drive meaningful change.

87%
Believe their managers genuinely care about their wellbeing

Wellbeing

This year's focus has been on our internal communication regarding employee wellbeing. Our goal has been to raise awareness of the benefits of physical and mental health in the workplace. To the left is an example of our employees receiving a presentation on heart health from a local doctor.

Community

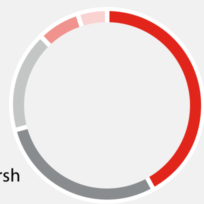
We aim to work with and for the communities in which we operate, recognising our role as a major employer. We strive to contribute to our local economic, social and environmental sustainability; support our employees, their friends and families, alongside charitable organisations important to our communities. We continued with our charitable giving programme which aims to support the charities and organisations that our employees care about most.

2018 marked 100 years since the end of World War 1. Employees at our Melksham facility remembered the Avon Rubber and Spencer Moulton employees who lost their lives in service by planting a tree for each life. A total of 121 trees were planted.

Total donated in FY19

£38k

- Cadillac
- Johnson Creek
- Melksham
- White Marsh
- Albinea



Training and Development

We want to attract, retain and develop talented individuals to safeguard our business. We strive to provide an environment that offers the right training and development by providing a combination of formal training opportunities and on the job experiences.

41%

Activated LinkedIn learning accounts

What we have done

- Global e-learning platform for all employees.
- Global Leadership Programme (GLP) for individuals identified as having the potential to be future leaders.
- Our Global Professional Development Programme (PDP) provides a launch platform for career development.
- Numerous bespoke training courses were run for employees across all sites including Negotiation, and Capture management, which 80+ employees attended.

"We are targeting carefully selected, value enhancing acquisitions within Avon Protection and milkrite | InterPuls to complement our organic growth."

Governance

Board of Directors

Our business is led by our experienced Board of Directors who focus on developing the Group's strategy and supporting management to execute against it.

David Evans
Chairman

First appointment: June 2007

Appointed Chairman: February 2012

Skills and experience:

David has been working in the defence sector for over 30 years with extensive knowledge of the U.S. market. David spent 17 years with GEC-Marconi before joining Chemring Group PLC in 1987 where he was appointed Chief Executive in 1999. He remained on the Chemring Board as a Non-Executive Director following his retirement in 2005 but stood down from this role during 2012 to focus on his role as Chairman of Avon Rubber p.l.c.

Committee membership:

Audit

Nomination (Chair)

Remuneration

Paul McDonald
Chief Executive Officer

First appointment: February 2017

Skills and experience:

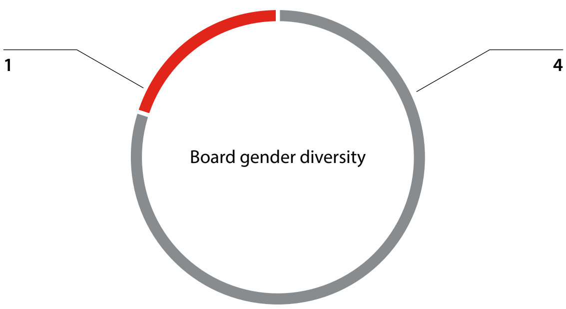
Prior to his appointment as Chief Executive Officer in 2017, Paul was Managing Director of milkrite | InterPuls and, since 2007, a key member of the Group Executive management team. Paul joined the Group in 2003 and spent the early part of his career at Avon in commercial and operational roles which included responsibility for all U.K. operations and the European Protection and Dairy business units.

Nick Keveth
Chief Financial Officer

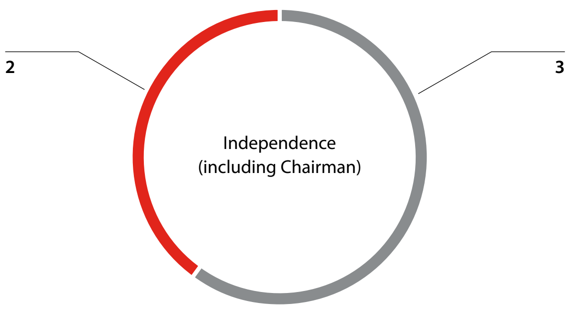
First appointment: June 2017

Skills and experience:

Nick was appointed as Chief Financial Officer in June 2017. Prior to joining Avon, Nick was Director of Finance, Planning & Reporting at Imperial Brands. He was with Imperial for 12 years and held a variety of senior finance roles during this period. Nick also served as a Non-Executive Director of the Spanish listed group Compania de Distribucion Integral Logista Holdings, S.A., a leading distributor of products and services to convenience retailers in Southern Europe, from 2014 until 2017. Prior to joining Imperial Nick worked for PricewaterhouseCoopers for 14 years in both audit and advisory roles.



- Female
- Male



- Executive
- Non-Executive

Chloe Ponsonby
Non-Executive Director

First appointment: March 2016

Skills and experience:

Chloe has spent her 20 year career in financial services, first in equity fund management at Jupiter; and then in investment banking at Altium, Oriel Securities (now owned by Stifel) and currently at Panmure Gordon where she is a Senior Managing Director. She is a Chartered Financial Analyst and has a first class Economics degree from the University of Manchester.

Committee embership:

Audit

Nomination

Remuneration (Chair)

Pim Vervaat
Non-Executive Director

First appointment: March 2015

Skills and experience:

Pim joined the Board in March 2015. Until recently, Pim was the Chief Executive of RPC Group Plc, the leading plastic products design and engineering group and a FTSE 250 listed company, from May 2013 to July 2019 (having been the CFO since 2007). Prior to this, Pim worked for Dutch metals producer, Hoogovens Groep, before joining Dutch ship propulsion producer Lips Group as Chief Financial Officer in 1996. In 1999 he returned to Hoogovens Groep (acquired by Corus) and in 2004 became divisional Finance Director of the £3bn turnover Corus Distribution and Building Systems Division.

Committee membership:

Audit (Chair)

Nomination

Remuneration

Miles Ingrey-Counter
Group Counsel and Company Secretary

First appointment: October 2007

Skills and experience:

Miles is a qualified solicitor, he joined the Group in January 2004 and has been a member of the Group Executive management team since 2008. Miles also has responsibility for all Group HR matters and is Chairman of the Avon Rubber Retirement and Death Benefits Plan. Prior to joining Avon, Miles was a solicitor with Osborne Clarke LLP.

Secretary to:

Audit (Secretary)

Nomination (Secretary)

Remuneration (Secretary)

Corporate Governance Report

STATEMENT OF COMPLIANCE WITH THE U.K. CORPORATE GOVERNANCE CODE

The Board of Directors are committed to high standards of corporate governance, and are 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 U.K. Corporate Governance Code ('the Code') which is available on the website of the Financial Reporting Council ('FRC').

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

The Board considers that throughout 2019, Avon complied with the Code, save that the Senior Independent Director does not attend meetings with the major shareholders to listen to their views (which is explained further below).

This statement will address 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 73 to 89.

The Board

The Board currently comprises two Executive Directors and three Non-Executive Directors (including the Chairman). The biographical details of individual Directors are set out on pages 62 and 63. The Board considers all of the current Non-Executive Directors to be independent in judgement and character, and considered David Evans to be independent on his appointment as Chairman.

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 Officer has been agreed. The Chairman is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role.

The Chief Executive Officer manages the Group and has the prime role, with the assistance of the Board, of developing and implementing business strategy.

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

Rules concerning the appointment and replacement of Directors of the Company are contained in the Articles of Association.

Amendments to the Articles must be approved by a special resolution of shareholders. Under the Articles, all Directors are subject to election by shareholders at the first Annual General Meeting (Annual General Meeting) following their appointment, and to re-election thereafter at intervals of no more than three years. In line with best practice reflected in the Code, however, all current Directors will be standing for reappointment at the forthcoming Annual General Meeting to be held on 30 January 2020.

The Non-Executive Directors are appointed by the Board on terms which allow for termination on three months' notice. Copies of Executive Directors' service contracts and terms and conditions of appointment for Non-Executive Directors are available for inspection at the Registered Office and will also be available at the Annual General Meeting.

How the Board operates

The Chairman ensures, through the Company Secretary, that the Board agenda and all relevant information is provided to the Board sufficiently in advance of meetings and that adequate time is available for discussion of all agenda items, in particular strategic issues. The Chief Executive Officer 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 and every Director is encouraged to participate and provide opinions on each agenda item. The Chairman always seeks to achieve unanimous decisions of the Board following due discussion of agenda items.

The Non-Executive Directors fully review the Group's operational performance and the Board as a whole has, with a view to reinforcing its oversight and control, reserved a list of powers solely to itself which are not to be delegated to management.

This list includes appropriate strategic, financial, organisational and compliance issues, including the approval of high level announcements, circulars, the Annual Report and Accounts and certain strategic and management issues.

Examples of strategic and management issues include the following:

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

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

The Company Secretary is responsible to the Board for ensuring that all Board procedures and governance requirements are complied with. The removal of the Company Secretary is a decision for the Board as a whole.

Committees of the Board

Of particular importance in a governance context are the three committees of the Board, namely the Remuneration Committee, the Nomination Committee and the Audit Committee. Each Committee operates under clear terms of reference, copies of which are available on our website. Detail of the operation of each Committee is provided within the relevant Committee report.

The members of the Committees comprise the Chairman and all the Non-Executive Directors. The Company Secretary advises and acts as a secretary to the Committees.

The Non-Executive Directors continue to regard the Chairman as adding significant value to the deliberations of the Audit Committee and his membership is ratified by Provision C.3.1. of the Code, which permits listed companies outside the FTSE 350 to allow the Chairman to sit on the Audit Committee where he or she was considered independent on appointment as Chairman. Pim Vervaat is Chairman of the Audit Committee. The Board is satisfied that Mr Vervaat has recent relevant financial experience and his profile appears on page 63.

David Evans is Chairman of the Nomination Committee but, in accordance with the Committee's terms of reference, is not permitted to chair meetings when the Committee is dealing with matters relating to the Board Chair's position.

Chloe Ponsonby is Chair 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 the Executive Directors and other senior executives. The Remuneration Committee also has regard to the remuneration of the wider workforce. More details of the activities of the Remuneration Committee are set out in the Remuneration Report on pages 73 to 89.

Performance evaluation

The Board continually strives to improve its effectiveness and conducts an annual review of its performance and that of its Committees and the individual Directors to enhance overall Board effectiveness. The 2019 Board evaluation process was conducted internally using questionnaires and interviews, led by the Chairman and facilitated by the Company Secretary. The questionnaire completed by all Board members and the Company Secretary was structured to provide Directors with the opportunity to express views on a variety of topics including: Board remit and responsibilities, skills and dynamics of the Board, meetings and content, Group strategy, internal control and risk management, decision making and communication.

A detailed discussion of the findings from the performance evaluation were reviewed at the September Board meeting. Overall the results of the evaluation concluded that the Board, its Committees and individual Directors performed effectively during 2019, both individually and as a collective unit. The following areas have been identified by the Board as areas of focus for 2020 and beyond: succession planning, successful induction of new Non-Executive Directors and increasing board engagement with the wider workforce.

Led by the Senior Independent Director, Pim Vervaat, the Chairman's assessment was also carried out using a questionnaire completed by all Directors. The results were discussed at the September meeting and the conclusion was that the Board was satisfied with the Chairman's commitment and performance.

Attendance at meetings

All Committee and Board meetings held in the year were quorate. Directors' attendance during the year ended 30 September 2019 was as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Paul McDonald	8/8	3/3[1]	4/5[1]	1/1[1]
Nick Keveth	8/8	3/3[1]	4/5[1]	1/1[1]
David Evans	8/8	3/3	5/5	1/1
Pim Vervaat	8/8	3/3	5/5	1/1
Chloe Ponsonby	8/8	3/3	5/5	1/1

1 Attended by invitation

Corporate Governance Report continued

Accountability and audit

The Board has an established framework of internal controls covering both financial and non-financial controls. In addition, there is an ongoing process for identifying, evaluating and managing significant business risks faced by the Group. This process was in place throughout the 2019 financial year and accords with the FRC's Guidance for Directors on Internal Control.

The Code requires that Directors review the effectiveness of the Group's system of internal controls on a continuing basis. The scope of this review covers all controls including financial, operational and compliance controls, as well as risk management. The Audit Committee has responsibility to review, monitor and make policy recommendations to the Board upon all such matters.

The Board, through the Audit Committee, keeps this system under continuous review and formally considers its content and its effectiveness on an annual basis. Such a system can provide only reasonable, and not absolute, assurance against material misstatements or losses. The section on internal control in the Audit Committee Report on pages 69 to 72 and the following paragraphs describe relevant key procedures within the Group's systems of internal control and the process by which the Directors have reviewed their effectiveness.

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

Procedures are in place to identify all major business risks and to evaluate their potential impact on the Group. These risks are described within the Strategic Report on pages 46 to 51.

Risk management

Risk is managed by the Group Executive team during the year, led by the Company Secretary and the Deputy Chief Financial Officer. The Group Executive team sets its key priorities for successfully managing the Group's businesses. This process inherently addresses risk and the Company Secretary leads an exercise that ensures the known risks to the businesses, together with any newly identified and emerging risks, are assessed and analysed effectively and that the priorities eliminate, minimise, control or transfer risk (or the effect thereof) as appropriate. There is also a review of the continuing effectiveness of other aspects of the control environment by the Group and Divisional Executive teams to ensure these controls are mitigating risk to the fullest extent in practice.

The Board carried out quarterly reviews of the key risks facing the Group and risk management activities undertaken during the year, following the quarterly reviews conducted by the Group Executive management team.

The Board also carried out an annual review of the major business risks affecting the Group, including macro risks. In the year under review, the risk assessments carried out both at business level and at Board level continued to be reviewed and strengthened.

Internal control

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

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

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

The Board has issued a Code of Conduct which reinforces the importance of a robust internal control framework throughout the Group. The Board recognises that an open and honest culture is key to understanding concerns within the business and to uncovering and investigating any potential wrongdoing. The Code of Conduct sets out the procedure whereby individuals may raise concerns in matters of financial reporting or any other matter of concern with management or directly with the Chairman of the Audit Committee, or anonymously through our 'Speak Up' process, to ensure independent investigation and appropriate follow up action. The Code of Conduct is reviewed annually.

Although the Board itself retains the ultimate power and authority in relation to decision making, the Audit Committee meets at least three times a year with management and 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.

Relations with shareholders

The Directors regard regular communications with shareholders as extremely important. All members of the Board receive copies of analysts' reports of which the Company is made aware and receive an investor relations report from the Chief Financial Officer at every Board meeting.

The Board reports formally to its shareholders in a number of ways, including regulatory news announcements or press releases in response to events or routine reporting obligations, a detailed Annual Report and Accounts and, at the half year, an interim report.

Regular dialogue takes place with institutional shareholders, including presentations after the Company's preliminary announcements of the half and full year results. The Board receives comments from analyst meetings and shareholder meetings after both interim and final results and at other times during the year.

Shareholders have the opportunity to ask questions at the Annual General Meeting and also have the opportunity to leave written questions with the Company Secretary for the response of the Directors. The Directors also make themselves available after the Annual General Meeting to talk informally to shareholders, should they wish to do so, and respond throughout the year to any correspondence from individual shareholders.

At the Annual General Meeting on 30 January 2020, 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 Officer on aspects of the Group's business and an opportunity for shareholders to ask questions. The level of proxies received for each Annual General Meeting resolution is declared after the resolution has been dealt with on a show of hands, providing no poll has been called for.

The Board has no plans to introduce poll voting on all business at general meetings as a substitute for using proxy votes, as this is not a requirement of the Code.

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

Disclosure and Transparency Rules ('DTR')

Disclosures in respect of the DTR requirements under DTR 7.2.6 are given in the Directors' Report on pages 90 to 93 and have been included by reference.

Going concern

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

This conclusion is based on a review of the resources available to the Group, taking account of the Group's financial projections together with available cash and committed borrowing facilities.

In reaching this conclusion, the Board has considered the magnitude of potential impacts resulting from uncertain future events or changes in conditions, the likelihood of their occurrence and the likely effectiveness of mitigating actions that the Directors would consider undertaking.

Viability statement

The Directors have assessed the viability of the Group over a three-year period to September 2022, taking account of the Group's current position and the potential impact of the principal risks documented in the Strategic Report. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to September 2022.

In making this statement, the Directors have considered the resilience of the Group, taking account of its current position, the principal risks facing the business in severe but reasonable scenarios, and the effectiveness of any mitigating actions.

This assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period. In making their assessment, the Directors have taken account of the Group's strong net cash position and the increase during the year of the Group's revolving credit facility which covers the three year lookout period. During the year the Group has complied with all covenant requirements attached to its financing facilities.

The Directors consider the three-year lookout period to be the most appropriate as this aligns with the Group's own strategic planning period. The Group has developed an annual business planning process, which comprises a Strategic Plan, a financial forecast for the current year and a financial projection for the forthcoming three years. This plan is reviewed each year by the Board as part of its strategy setting process. Once approved by the Board, the plan provides a basis for setting all detailed financial budgets and strategic actions that are subsequently used by the Board to monitor performance. The forecast performance outlook is also used by the Remuneration Committee to establish the targets for both the annual and longer term incentive schemes.

D R Evans

David Evans
Chairman

13 November 2019

Nomination Committee Report

The Committee regularly reviews the Board's structure, size and composition and gives full consideration to succession planning for Directors and other senior executives, to ensure we are best resourced to deliver the Group's strategy.

LETTER FROM THE CHAIR OF THE NOMINATION COMMITTEE

The Nomination Committee comprises all the Non-Executive Directors, under the chairmanship of the Chairman of the Board.

Main responsibilities

The main responsibilities of the Committee are as follows:

- To lead the process for Board appointments and make recommendations to the Board.
- To put in place plans for succession.
- To regularly review the Board's structure, size and composition, taking into account the challenges and opportunities facing the Group and the skills, knowledge and experience needed by the Board and make recommendations to the Board with regard to any changes.

The Committee's terms of reference are available within the Corporate Governance section of the Company's website and are reviewed annually by the Committee.

All Directors are appointed by the Board following a rigorous selection process and subsequent recommendation by the Committee. Board appointments are made on merit, against criteria identified by the Committee having regard to the benefits of diversity on the Board.

The Nomination Committee is also responsible for the Board's policy on diversity. The Board recognises the benefits of diversity. Diversity of skills, background, knowledge, international and industry experience, and gender, amongst many other factors, will be taken into consideration when seeking to appoint new Directors to the Board. Notwithstanding the foregoing, all Board appointments will always be made on merit. The Board's diversity policy can be found in the Corporate Governance section of the Company's website.

Further information, including the number of women in senior management and within the organisation is shown in the Environmental and Corporate Social Responsibility Report on pages 52 to 59.

Activities during 2019

During the year the Committee focused attention on Board succession and succession planning for the Executive Directors and senior management which took into account the immediate, emerging and longer-term succession plans for these roles, as well as the wider talent development programmes throughout the Company.

Following a detailed discussion on Board succession planning and taking into account the Group's aspirations for growth, the Committee has recommended to the Board that an additional two independent Non-Executive Directors be added to the Board during 2020. Korn Ferry have been engaged to lead the search to identify suitable candidates. Korn Ferry does not have any other connection with the Company. Looking ahead to 2020 and 2021, I will resign as Chairman and step down from the Board at the 2021 Annual General Meeting. The Committee led by Pim Vervaat as Senior Independent Director will begin the process in the 2020 financial year to identify suitable candidates and recommend an appointment for my replacement.

The Committee agreed that all Directors should be put forward for re-appointment by shareholders each year at the Annual General Meeting. Taking into account the performance and value that each Director has brought to the Board, the Committee has considered whether each Non-Executive and Executive Director appointments should be renewed for a further year and has confirmed that this is indeed the case. Accordingly, resolutions to re-appoint each Director are being put to shareholders at the forthcoming Annual General Meeting.

The evaluation of the effectiveness of the Committee was conducted as part of the Board performance evaluation. The outcome of the 2019 review was positive and again highlighted the need to retain focus on succession planning for the Board.

D R Evans

David Evans
Chairman of the Nomination Committee

Audit Committee Report

The Committee monitors the integrity of the Group's financial statements and supports the Board with its ongoing monitoring of risk management and internal control systems.

LETTER FROM THE CHAIR OF THE AUDIT COMMITTEE

During the year, the Audit Committee continued its key oversight role for the Board of the Group's financial management and reporting to reassure shareholders that their interests are properly protected.

The Audit Committee works to a set programme of activities, with agenda items established to coincide with the annual financial reporting calendar. The Committee reports regularly to the Board on its work.

During the 2019 financial year, the Committee has continued to monitor the integrity of the Group's financial statements and supported the Board with its ongoing monitoring of the Group's risk management and internal control systems. The Committee also determined the focus of the Group's internal audit activity, reviewed its findings and verified that recommendations were being appropriately implemented. In recognition of both the importance of an effective whistleblowing channel and the enhanced scope under the revised U.K. Corporate Governance Code 'the Code', which applied to Avon from 1 October 2019, the Committee also reviewed the Group's whistleblowing policies and procedures. The review established that there are sufficient mechanisms in place through which employees are able to confidentially raise concerns, but that awareness of the procedure and protections could be improved through a refreshed communication exercise to all employees as part of the existing workplace training practices.

During 2019 the Audit Committee undertook a full evaluation exercise of the PwC audit approach, in their last year as auditors following the 2018 audit tender, to ensure the effectiveness of the external audit function.

Reviewing the results of the evaluation of the external audit process, we are satisfied with both the auditor's independence and audit approach. Following the audit tender process in 2018, the Board accepted the Audit Committee's recommendation to appoint KPMG and a resolution for their appointment was put to shareholders and passed at the 2019 Annual General Meeting.

The Audit Committee acts on behalf of the full Board, and the matters reviewed and managed by the Committee remain the responsibility of the Directors as a whole.

Main responsibilities of the Audit Committee

The Audit Committee has delegated authority from the Board set out in its written terms of reference. The terms of reference for the Audit Committee are available for inspection at the Group's registered office, on our website, and at the Annual General Meeting.

The key objectives of the Audit Committee are:

- To provide effective governance and control over the integrity of the Group's financial reporting and review the significant financial reporting judgements.
- To support the Board with its ongoing monitoring of the effectiveness of the Group's system of internal controls and risk management systems.
- To monitor the effectiveness of the Group's internal audit function and review its material findings.
- To oversee the relationship with the external auditor, including overseeing the auditor transition process, and making recommendations to the Board in relation to the re-appointment of the external auditor and monitoring the external auditor's objectivity and independence.
- Reviewing the adequacy of the Company's whistleblowing arrangements and the provision of appropriate investigation of any matters raised.
- Advising the Board on whether the Committee believes the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Composition of the Audit Committee

The members of the Committee are set out on page 62 and 63 of this Corporate Governance Report.

The Committee members are all independent Non-Executives and have the appropriate range of financial and commercial expertise necessary to fulfil the Committee's terms of reference. The Board considers that as a recently serving Chief Executive Officer, and before that a Finance Director, of a FTSE 250 company, I have both the current and relevant financial experience required to Chair this Committee.

Audit Committee Report continued

Meetings are attended by invitation by the, Chief Executive Officer, Chief Financial Officer and the Deputy Chief Financial Officer.

I also invite our external auditor, KPMG, to each meeting. The Committee also regularly meets separately with KPMG without management being present.

Committee meetings

The Committee met three times during the year and attendance at those meetings is highlighted on page 65 of this Corporate Governance Report.

Main activities of the Committee during the year

Meetings of the Committee generally take place just prior to a Board meeting. The Committee has a rolling annual agenda developed from its terms of reference, with recurrent items considered at each meeting in addition to any specific matters arising and topical business or financial items on which the Committee has chosen to focus.

The Committee reviewed the half year and annual financial statements and the significant financial reporting judgements. As part of this review, the Committee supported the Board by reviewing the financial viability and the basis for preparing the accounts on a going concern basis. The Committee also reviewed and challenged the external auditor's report on these financial statements.

As discussed above, the effectiveness of the external audit function was considered during 2019. During the evaluation process the Committee considered: the independence and objectivity of the external auditor; the make-up and quality of the audit team; the proposed audit approach and the scope of the audit; the execution of the audit and the quality of the audit report to the shareholders; as well as ultimately the fee structure.

The Committee also reviewed and proposed areas of focus for the internal audit programme of review including the approach to ensure that the internal audit activity is aligned to the principal Group risks.

The main areas of focus considered by the Committee during 2019 were as follows:

- The presentation of the financial statements and the quality and acceptability of accounting policies and practices, in particular, the presentation of adjusted performance and the adjusting items. The Committee reviewed a paper prepared by management and reviewed the disclosure of adjusted items within the Group's half year and full year results, agreeing that the position taken in the financial statements is appropriate.
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements.
- Material areas in which significant judgements have been applied, discussed separately in more detail below.
- Oversight of the audit transition process.
- A review of the Auditor Independence policy, following the comprehensive update in 2018.
- At the request of the Board, the Committee considered whether the 2019 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Company's performance, business model and strategy. Having taken account of the other information provided to the Board throughout the year, the Committee was satisfied that, taken as a whole, the Annual Report and Accounts was fair, balanced and understandable.

The Committee was content, after due challenge and debate, with the assumptions made and the judgements applied in the accounts and agreed with management's recommendations. In addition, the Committee reviewed and recommended the approval of the statements on corporate governance, internal control and risk management in the Annual Report and Accounts and the half year and all trading statements.

Significant judgements and estimates considered by the Committee

After discussions with management and the external auditor, the Committee determined that the key risk of material misstatement of the Group's 2019 financial statements depended on the following key areas of estimation:

- Carrying value of intangible assets.
- The funding level of the defined benefit pension scheme.
- Calculation of the Group tax charge.
- Estimation of variable consideration.

Carrying value of intangible assets

The Group's principal assets are intangible assets, which are either the result of acquisitions, or have been capitalised through the internal development of new products. The valuation of intangible assets involves significant judgement and changes in the underlying assumptions could have a significant impact on the carrying value of these assets.

The classification of intangible assets represents three asset classes: goodwill, acquired intangibles and development expenditure:

- The Group assesses whether goodwill is impaired on an annual basis and this requires an estimation of the value in use of the segmental division to which the intangible assets are allocated. This involves estimation of future cash flows, estimating a growth rate for extrapolation purposes and choosing a suitable discount rate.
- Acquisitions may result in the recognition of acquired intangibles which include: customer relationships, brands and trademarks, patents and order books. Valuation estimates are used to determine the fair values of these intangible assets. This includes estimation of future cash flows, weighted average cost of capital and useful lives.

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

Following a review of a report summarising the key issues in relation to the valuation of the Group's intangible assets, the Committee concurred with management that the carrying value of the intangible assets was appropriate.

The auditor explained their audit procedures to test the carrying value of intangible assets and on the basis of the work undertaken the auditor reported no inconsistencies or misstatements that were material in the context of the financial statements as a whole.

Further analysis and detail on the Group's intangible assets is set out in Note 3.1 of the financial statements on page 123.

The funding level of the defined benefit pension scheme

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 U.K. employed before 31 January 2003; the plan was closed to future accrual of benefit on 1 October 2009. The funding level of the pension scheme involves significant judgements concerning the future performance and valuation of the pension funds' assets and liabilities and as such changes in the core assumptions could have a significant impact on those requirements.

The defined benefit plan exposes the Group to actuarial judgements of the defined benefit pension obligations that requires estimation of future changes in inflation, mortality rates, and the selection of a suitable discount rate.

An independent actuary regularly reviews the costs of administering the pension scheme, together with undertaking a valuation of the pension scheme assets and assessment of current and future pension liabilities. The Committee reviews a report from the independent actuary on the appropriateness of the assumptions used in assessing the assets and liabilities of the scheme and agreed that this was being managed appropriately with reasonable judgements applied.

The auditor explained their audit procedures to test the carrying value of net pension liabilities and based on the work undertaken, and assessment of the actuarial judgements used, the auditor reported no inconsistencies or misstatements that were material in the context of the financial statements as a whole.

Further analysis and detail on the Group's defined benefit pensions scheme is set out in Note 6.2 of the financial statements on page 136.

Calculation of the Group tax charge

The Group operates in a number of countries around the world where uncertainties exist in relation to the interpretation of complex tax legislation, changes in tax laws and the amount and timing of future taxable income. In some jurisdictions, agreeing tax liabilities with local tax authorities can take several years. This could necessitate future adjustments to taxable income and expense already recorded. At the year-end date, tax liabilities and assets are based on management's judgements around the application of the tax regulations and management's estimate of the future amounts that will be settled.

The Group's operating model involves the cross-border supply of goods into end markets. There is a risk that different tax authorities could seek to assess higher profits (or lower costs) to activities being undertaken in their jurisdiction, potentially leading to higher total tax payable by the Group.

At 30 September 2019 there is a provision of £2.9m in respect of uncertain tax positions. Due to the uncertainties noted above, there is a risk that the Group's judgements are challenged, resulting in a different tax payable or recoverable from the amounts provided. Management estimates that a reasonable possible range of outcomes is between an additional liability of up to £0.5m and a reduction in liabilities of up to £2.9m.

Following a review of the Group's tax charge, which included a conversation and an update on the current position and the status of discussions with the relevant tax authorities, the Committee agreed that the position taken in the financial statements is appropriate.

Further analysis and detail on the Group's tax charge is set out in Note 2.6 of the financial statements on page 121.

Estimation of variable consideration

The estimation of variable consideration in relation to certain U.S. contracts in the Avon Protection business involves assumptions and judgements.

Following a review of a report summarising the contracts and the approach taken in assessing the revenue being deferred as a contract liability, the Committee concurred with management that the value of the outstanding contract liability was appropriate.

The auditor explained their audit procedures in relation to revenue recognition and on the basis of the work undertaken reported no inconsistencies or misstatements that were material in the context of the financial statements as a whole.

Further details in relation to the Group's contract liabilities can be found in Note 4.4 to the financial statements on page 126.

Audit Committee Report continued

External auditors

The Audit Committee considers the re-appointment of the external auditor each year. As reported in last year's annual report, PwC had been the Company's external auditors for over 20 years and the Audit Committee decided to undertake a tender of the external auditor role in 2018 and the confirmation of KPMG as the Company's external auditors was approved at the 2019 Annual General Meeting .

The Committee oversees the relationship with the external auditors, and monitors all services provided by, and fees payable to them, to ensure that potential conflicts of interest are considered and that an objective and professional relationship is maintained. In particular the Committee reviews and monitors the independence and objectivity of the external auditors and the effectiveness of the audit process. At the outset of the audit process, the Committee receives from the auditors a detailed audit plan, identifying their assessment of the key risks and their intended areas of focus. This is agreed with the Committee to ensure coverage is appropriately focused.

Review of the effectiveness and the independence of the external auditor

At its April meeting the Committee reviewed an evaluation report of the previous year's audit process, which included obtaining feedback from employees who had interaction with PwC during the 2018 audit. The report concluded that the audit was conducted to a good standard with appropriate focus and challenge on the key audit risks. The members of the Committee have declared themselves satisfied with the performance of PwC as the Company's auditor in the last financial year.

In the first year as the Company's auditor, KPMG confirmed to the Committee that it maintained appropriate internal safeguards to ensure its independence and objectivity. As part of the Committee's assessment of the ongoing independence of the transitioning auditor, the Committee receives details of any relationships between the Group and KPMG that may have a bearing on their independence and receives confirmation that they are independent of the Group.

Policy on auditor independence and non-audit fees

In order to ensure the independence and objectivity of the external auditors and avoid a situation where the auditor's familiarity with the Group's affairs results in excessive trust, the Committee maintains a formal Auditor Independence Policy. The policy sets out that non-audit work may only be undertaken by the External Auditor in limited circumstances where these services do not conflict with the auditor's independence. All permissible non-audit services need the specific approval of the Audit Committee.

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 KPMG for audit services, audit-related services and non-audit work. The breakdown of the fees paid to the external auditor, including the split between audit and non-audit is included in Note 2.5 on page 121 of the financial statements. No non-audit services were carried out by KPMG during the year. 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.

Internal control

The Committee regularly reviews the effectiveness of the Group's system of internal controls and risk management. This involves the monitoring and review of the effectiveness of internal audit activities, which included a review of the audits carried out and the results thereof, the management response and the programme and resourcing for 2019 and 2020. The Committee believes it is appropriate that the internal audit process is primarily undertaken by members of the finance team who conduct financial reviews of the sites on a rotational basis. As appropriate, the Committee recommends working with independent experts to support and facilitate the internal audit programme. During the year, a review of the Group's cyber security arrangements was undertaken by a third party independent consultant who confirmed that the controls and policies in place were appropriate and in line with the Group's risk management approach.

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 Accounts. It has been reviewed by the Board and continues to be monitored by the Committee, which remains satisfied with the arrangements.

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

As part of its work, and in line with its terms of reference, the Committee also considers the discharge of the Board's responsibilities in the areas of corporate governance, financial reporting and internal control, including the internal management of risk, as identified in the Code and the FRC guidance on Risk Management, Internal Control and Related Financial Business Reporting.

Risk management activities are dealt with in more detail in the Corporate Governance Report on pages 64 to 67.

Audit Committee effectiveness review

The evaluation of the effectiveness of the Committee was conducted alongside the Board effectiveness review, information on which is provided in the Corporate Governance report on page 65. The effectiveness of the Committee continued to be rated highly.

Pim Vervaat
Chairman of the Audit Committee

13 November 2019

Remuneration Report

The Committee seeks to support the delivery of the Group's strategy through establishing remuneration arrangements which support sustainable value creation for our shareholders and incentivise and retain management.

LETTER FROM THE CHAIR OF THE REMUNERATION COMMITTEE

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2019.

The Remuneration Report is split into three sections:

- This Annual Statement summarising the work of the Remuneration Committee (the 'Committee') in 2019;
- A summary of the Directors' Remuneration Policy (the 'Policy') which was approved by shareholders with a 99% vote of support at the 31 January 2019 Annual General Meeting. The Policy sets out the Company's policy on Directors' remuneration until the 2022 Annual General Meeting; and
- The Annual Report on Remuneration, which provides details of the remuneration earned by Directors in the year ended 30 September 2019 under the Remuneration Policy and how we intend to implement the Policy in 2020. The Annual Report on Remuneration will be subject to an advisory vote at the forthcoming Annual General Meeting.

Outcomes for 2019

The Executive Directors and senior management team have continued to drive the Group's strategy and delivered another strong performance in a transformative year for the Group. As set out in the Strategic Report, the key 2019 highlights include increases in orders received (1.4%), revenue (4.2%) and adjusted operating profit (10.4%). The Group's balance sheet remained strong and the business continued to be cash generative, ending the year with net cash of £48.3m.

In August 2019, the Group signed an agreement to acquire 3M's ballistic protection business, which represents an attractive opportunity closely aligned with our clear commercial and financial acquisition strategy.

After the first year under the new policy my reflection is that the policy has, as intended, supported delivery of the strategy and focused the management team on delivering superior financial and operational performance. It is pleasing to see that this is reflected in both the trading results for 2019 and the recent acquisition.

However, the Committee will continue to keep the policy under review to ensure that it remains optimal as the strategy and shape of the business evolve.

Performance-related pay

Our annual bonus measures incentivise and reward delivery of our business strategy and superior financial and operational performance. This year bonus outcomes for the Executive Directors were determined by reference to performance against the agreed financial business targets of Group revenue growth on previous year (20%), operating profit growth on previous year (40%) and Group cash conversion (40%). The Company's financial performance for the year, resulted in bonus awards for the Executive Directors at 54.8% of maximum for Paul McDonald and 54.8% of maximum for Nick Keveth. Full details can be found on page 84.

Vesting of the PSP awards made on 1 December 2015 took place back in December 2018, based on the agreed measures of relative Total Shareholder Return ('TSR') and Earnings Per Share ('EPS') growth over the three year performance period. The Group's three year TSR was 32.8% which placed it just outside the upper quartile and the EPS growth was CPI +11% compared to the maximum target of CPI + 8%. The overall vesting level achieved for these awards was therefore 84%. We are currently preparing to vest the PSP awards made in December 2016, which were based on the same performance measures.

The Committee considers that within the broader context of the overall performance of the Company and the individual performance of Executive Directors, the pay-outs achieved under the bonus and PSP are justified and has not applied any discretionary adjustment to these outcomes, nor in any other area of remuneration throughout the year.

Remuneration Report continued

Implementation of the policy in 2020

The Committee approved an increase in the Chief Executive Officer's and Chief Financial Officer's salaries of 5.1% and 5.6% respectively with effect from 1 October 2019. This was above the cost of living pay increase within the wider workforce of 3% and reflects their strong performance and the continuing evolution of the Group.

In 2020, as in 2019, the maximum annual bonus opportunity will be 100% of salary, with 25% of any bonus earned deferred into shares for two years. The bonuses for 2020 will once again be based on Group revenue growth on previous year (20%), operating profit growth on previous year (40%) and Group cash conversion (40%).

Targets will be set on a sliding scale with 20% payable at threshold and 50% at target. The 2020 bonus does not include any personal performance objectives. The targets and outcomes will be disclosed retrospectively in next year's Annual Report on Remuneration.

The 2020 LTIP award will be made at 150% of salary for both directors, an increase on the 2019 award which was made at 125% of salary. Based on the current share price, the proposed award represents a c.20% reduction to the number of awards granted in 2019. In addition, the Committee considered that the LTIP increase should be accompanied by an increased level of stretch in the EPS target range.

Therefore the 2020 EPS targets have increased from 5%p.a. to 10%p.a. to 5%p.a. to 12%p.a., with 0% vesting at threshold. While 10%p.a. would have previously resulted in full vesting under this measure, now that level of performance will result in just over 70% vesting. TSR will continue to apply for the other 50% of the award.

In addition, the Committee must be satisfied with the level of ROCE performance during the performance period taking account of a range of factors. If the Committee is not satisfied with the level of ROCE performance it may reduce (potentially to zero) the outturn against the EPS performance measure.

This decision has been made against the backdrop of a transformative year with significant share price growth and the need to retain and incentivise a proven and high performing management team. We will be seeking to consult with investors in 2020 with regard to the ongoing implementation of our incentive arrangements.

Agenda for 2020

During 2020, we will continue to keep the remuneration arrangements across the Group under review, including the impact of the acquisition of 3M's ballistic protection business. The acquisition will have an additional impact on the size and complexity of the Group and the Committee intends to review the effectiveness of the Policy and its implementation in light of this and the evolving strategy of the Group.

The Financial Reporting Council published a new U.K. Corporate Governance Code ('Code') during 2018, which applies to Avon with effect from the 2020 financial year. The Committee welcomes the new Code and I am pleased to note that in several areas, practice at Avon is already aligned with the updated provisions.

We remain mindful of the developing remuneration landscape and will continue to monitor the executive pay environment, governance developments and market practice, particularly in light of the new Code.

I welcome all shareholder feedback on this report. We acknowledge the support we have received in the past from our shareholders and hope that we will continue to receive your support at the forthcoming Annual General Meeting.

Should you have any queries in relation to this report please do not hesitate to contact me through the Company Secretary.

Chloe Ponsonby
Chair of the Remuneration Committee

13 November 2019

Remuneration at a Glance

The Company's Remuneration Policy was last approved by shareholders at the Annual General Meeting on 31 January 2019. The key elements of the Directors' Remuneration Policy, as it applied in 2019 and how it is proposed to apply in 2020 are summarised below:

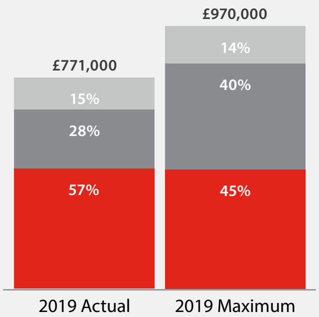
		Remuneration 2019	Remuneration 2020
FIXED PAY	**Salary (annual base)**	CEO: £390,000 CFO: £270,000	CEO: £410,000 CFO: £285,000
	Pension	15% of salary for current Executive Directors (new hires aligned with workforce contribution)	15% of salary for current Executive Directors (new hires aligned with workforce contribution)
	Benefits	Includes private health insurance and life assurance	Includes private health insurance and life assurance
ANNUAL BONUS	**Maximum opportunity**	100% of salary	100% of salary
	Opportunity applied	100%	100%
	Operation	• Performance measures: range of financial and strategic business targets and personal objectives • Paid annually in cash, except 25% of the overall amount which is deferred into shares • Malus and clawback provisions apply	• Performance measures: range of financial and strategic business targets and personal objectives • Paid annually in cash, except 25% of the overall amount which is deferred into shares • Malus and clawback provisions apply
LONG-TERM INCENTIVE	**Maximum opportunity**	150%	150%
	Opportunity applied	125%	150%
	Operation	• Subject to three year performance conditions (TSR and EPS with a ROCE underpin) • Two year additional holding period applies to vested awards • Malus and clawback provisions apply	• Subject to three year performance conditions (TSR and EPS with a ROCE underpin) • Two year additional holding period applies to vested awards • Malus and clawback provisions apply

Executive remuneration

Actual vs maximum under policy

Paul McDonald

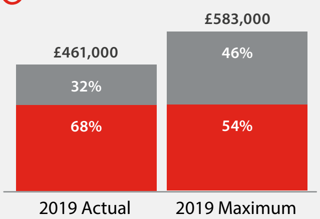
£771,000



LTIP
Annual Bonus
Fixed Pay, Pension and Benefits

Nick Keveth

£461,000



Remuneration Report continued

REMUNERATION POLICY REPORT

The following is a summary of the Policy that covers remuneration for Directors of the Company for the three-year period from the Company's Annual General Meeting on 31 January 2019 until the 2022 Annual General Meeting. The full Policy, as approved by shareholders, is available on the Company's website and is contained in the 2018 Annual Report. Should there be any need to change the Company's Policy ahead of the 2022 Annual General Meeting, shareholders will be asked to approve a revised Policy.

Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value	Performance targets
Basic salary	To provide competitive fixed remuneration. To attract and retain Executive Directors of superior calibre in order to deliver growth for the business. Intended to reflect that paid to senior management of comparable companies. Reflects individual experience and role.	Normally reviewed annually by the Remuneration Committee. Individual salary adjustments take into account each Executive Director's performance against agreed challenging objectives and the Group's financial circumstances, with significant adjustments infrequent and normally reserved for material changes in role, a significant increase in the size/complexity of the Group, or where an individual has been appointed on a low salary with an intention to bring them to market levels over time and subject to performance.	No prescribed maximum or maximum increase. The normal approach will be to limit increases to the average level across the wider workforce, though increases above this level may be awarded subject to Committee discretion to take account of certain circumstances, as stated under 'Operation'. On recruitment or promotion, the Committee will consider previous remuneration and pay levels for comparable companies (for example, companies of a similar size and complexity, industry sector or location), when setting salary levels. This may lead to salary being set at a lower or higher level than for the previous incumbent.	Not applicable.
Benefits	As above.	Executive Directors are entitled to benefits such as medicals every two years, private health insurance and life assurance. Any reasonable business-related expenses (and any tax thereon) can be reimbursed if determined to be a taxable benefit. Executive Directors will be eligible to participate in any all-employee share plan operated by the Company, on the same terms as other eligible employees. For external and internal appointments or relocations, the Company may pay certain relocation and/or incidental expenses as appropriate. Executives will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms and additional benefits might be provided from time to time if the Committee decides payment of such benefits is appropriate and in line with emerging market practice.	As it is not possible to calculate in advance the cost of all benefits, a maximum is not pre-determined. The maximum level of participation in all-employee share plans is subject to the limits imposed by the relevant tax authority from time to time.	Not applicable.

Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value	Performance targets
Pension	To reward sustained contribution by providing retirement benefits.	The Company funds contributions to a Director's pension as appropriate, through contribution to the Company's money purchase scheme or through the provision of salary supplements.	Company contribution up to 15% of salary. Future appointments will be in line with the general workforce contribution level at the time.	Not applicable.
Annual bonus	Rewards the achievement of annual financial and strategic business targets and delivery of personal objectives. Maximum bonus only payable for achieving demanding targets. Deferred element encourages long-term shareholding and discourages excessive risk taking.	Paid annually in cash, except 25% which is deferred into shares for two years. Not pensionable. Recovery and withholding provisions apply in cases of gross misconduct, corporate failure, error in calculation of award and if the financial results which led to the bonus being paid are restated due to an error within the subsequent two years. Dividends will be paid on deferred shares which vest.	Capped at 100% of salary.	The Committee will review performance measures and targets each year. Any payment is discretionary and will be subject to the achievement of stretching performance targets. Financial measures will normally determine at least 75% of the bonus opportunity.
Long-Term Incentive Plan	Designed to align Executive Directors' interests with both the strategic objectives of delivering sustainable earnings growth and the interests of shareholders.	Annual grants of conditional share or nil-cost option awards which vest after a three year performance period, subject to achievement of performance targets and continued service. An additional two year holding period applies after the end of the three year vesting period. Recovery and withholding provisions apply in cases of gross misconduct, corporate failure, error in calculation of award and if the financial results which led to the bonus being paid are restated due to an error within the subsequent two years. Dividend equivalents may be paid on shares which vest.	Executive Directors may receive an award of up to 150% of basic salary per annum although the current intention is to grant 125%. Any such increase on an ongoing basis will be subject to prior consultation with major shareholders. 100% of awards vest for stretch performance, up to 20% of an award vests for threshold performance and no awards vest below this.	Current performance measures are relative TSR and EPS growth, each with a 50% weighting. The Committee may reweight the measures for each performance period. The Committee retains discretion to set alternative performance measures for future awards but will consult with major shareholders before making any changes to the currently applied measures. The Committee has discretion to reduce the number of shares which will vest or decide that no shares will vest if it considers that the underlying business performance of the Company or the performance of the participant does not justify vesting.

Remuneration Report continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value	Performance targets
Share ownership guidelines	To increase alignment between Executives and shareholders.	Executive Directors are required to retain a proportion of their net of tax vested awards until the guideline is met.	Executive Directors are required to build up and maintain a shareholding worth 200% of salary (100% for other senior management).	Not applicable.
Chairman and Non-Executive Directors' fees and benefits	To provide compensation in line with the demands of the roles at a level that attracts high calibre individuals and reflects their experience and knowledge.	Base fee for Chairman and Non-Executive Directors. Normally reviewed annually. Additional fees are paid to Non- Executive Directors for additional responsibilities or services undertaken, such as chairing a Board Committee and/or fulfilling a Senior Independent role. The Company repays any reasonable expenses that a Non-Executive Director incurs in carrying out their duties as a Director, including travel, hospitality-related and other modest benefits and any tax liabilities thereon, if appropriate. If there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay extra fees on a pro-rata basis to recognise the additional workload.	No maximum fee or maximum fee increase. Fees are set taking into account internal benchmarks such as the salary increase for the general workforce and external benchmarks of fees paid by companies of a similar size and complexity.	Not applicable.

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

Selection of performance measures and targets

Annual bonus

The Executives' annual bonus arrangements are focused on the achievement of the Company's short and medium-term financial objectives, selected to closely align the performance of the Executive Directors with the strategy of the Company's business and shareholder value creation. If personal performance targets are set, these will consist of non-financial personal targets which also support the delivery of the longer-term strategic milestones and non-financial KPIs relevant to each Director's responsibilities.

Before the start of each year, the Remuneration Committee confirms performance targets for the year. 'Target' performance is typically set in line with the budget for the year, following thorough debate and approval by the Board. Threshold to stretch targets are then set based on a sliding scale. Payout at stretch requires substantial outperformance, whilst only modest payouts are available for delivering threshold performance levels. Details of the measures used for the annual bonus are given in the Annual Report on Remuneration.

Long-Term Incentive Plan

The aim of the Plan is to motivate Executive Directors and other senior executives to achieve performance superior to the Company's peers and to maintain and increase earnings levels whilst at the same time ensuring that it is not at the expense of longer-term shareholder returns. This is reflected in the Plan's performance conditions which for the first year of the new Policy will be based on TSR and EPS.

The current performance conditions remain appropriate for a growing business and the expectations of shareholders.

The Committee will review the choice of performance measures and the appropriateness of the performance targets prior to each LTIP grant. Non-financial performance conditions are not considered appropriate at the current stage in the development of the Group, although this will be kept under review.

The TSR measure takes the total return received by the Company's shareholders in terms of share price growth and dividends over a three year period and compares it with the total returns received by shareholders in companies within a predetermined and appropriate comparator group. The Remuneration Committee's intention is to reward only TSR performance which outperforms the comparator group.

The EPS measure is based on growth in adjusted earnings per share over the performance period. The target range is a sliding scale set at the time of award taking account of internal and external forecasts, to encourage continuous improvement and incentivise the delivery of stretch performance. For the 2020 awards, the Committee will also assess the Group's ROCE when approving the vesting outcome under the EPS element of awards.

Legacy arrangements

For the avoidance of doubt, in approving this Remuneration Policy, authority is given to the Company to honour any previous commitments entered into with current or former Directors (such as the payment of a pension or the unwinding of legacy share schemes) that remain outstanding.

Flexibility, discretion and judgement

The Committee will operate the Group's incentive plans according to their respective rules and consistent with normal market practice, the Listing Rules and HMRC rules where relevant, including flexibility in a number of regards. These include making awards and setting performance criteria each year, dealing with leavers, granting and/or settling an award in cash and adjustments to awards and performance criteria following acquisitions, disposals, changes in share capital and to take account of the impact of other merger and acquisition activity.

The Committee also retains discretion within the Policy to adjust the targets, set different measures and/or alter weightings between measures, pay dividend equivalents on vested shares up to the date those shares can first reasonably be exercised and, in exceptional circumstances, under the rules of the LTIP to adjust targets to ensure that the awards fulfil their original purposes. All assessments of performance are ultimately subject to the Committee's judgement and discretion is retained to adjust payments in appropriate circumstances as outlined in this Policy. Any discretion exercised (and the rationale) will be disclosed.

Approach to recruitment remuneration

New Executive Directors will be offered a basic salary in line with the Policy. Where the Committee has set the salary of a new appointment at a discount to the market level initially until proven, they may receive an uplift or a series of planned increases to bring the salary to the appropriate market position.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

Annual bonus awards, LTIP awards and pension contributions would not be in excess of the current levels stated in the Policy. Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions to the current Executive Directors for the first performance year of appointment. An LTIP award can be made shortly following an appointment (assuming the Company is not in a close period). In the case of an internal appointment, any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment.

Remuneration Report continued

In addition, the Committee may offer additional cash and/or share-based buyout awards when it considers these to be in the best interests of the Company (and therefore shareholders) to take account of remuneration given up at the individual's former employer. This includes the use of awards made under 9.4.2 of the Listing Rules. Such awards would be capped at a reasonable estimate of the value foregone and would reflect the delivery mechanism, time horizons and whether performance requirements are attached to that remuneration. Shareholders will be informed of any such payments at the time of appointment.

For the appointment of a new Chairman or Non-Executive Director, the fee arrangement would be set in accordance with the approved Remuneration Policy.

Service contracts, letters of appointment and policy on payments for loss of office

Executive Directors

The Company's policy is that Executive Directors should normally be employed under a contract which may be terminated by either the Company or the Executive Director giving 12 months' notice.

The Company may terminate the contract with immediate effect with or without cause by making a payment in lieu of notice by monthly instalments of salary and benefits, with reductions for any amounts received from providing services to others during this period. There are no obligations to make payments beyond those disclosed elsewhere in this report.

The Remuneration Committee 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 Group may pay outplacement and professional legal fees incurred by Executives in finalising their termination arrangements, where considered appropriate, and may pay any statutory entitlements or settle compromise claims in connection with a termination of employment, where considered in the best interests of the Company. Outstanding savings/shares under all-employee share plans would be transferred in accordance with the terms of the plans.

A pro-rated bonus may be paid subject to performance, for the period of active service only. Outstanding share awards will vest in accordance with the provisions of the various scheme rules. Under the Deferred Bonus Plan, the default treatment is that any outstanding awards will continue on the normal timetable, save for forfeiture for serious misconduct. Clawback and malus provisions will also apply. On a change of control, awards will generally vest on the date of a change of control, unless the Committee permits (or requires) awards to roll over into equivalent shares in the acquirer.

Under the LTIP, the default treatment is also that any outstanding awards will lapse, however the Committee has discretion to allow good leaver status on a case-by-case basis for which the default treatment is that awards will vest subject to the original performance condition and time proration. For added flexibility, the rules allow for the Committee to decide not to pro-rate in exceptional circumstances if it decides it is appropriate to do so, as well as a clean break when an Executive leaves. This permits vesting to be triggered at the point of leaving by reference to performance at that date, rather than waiting until the end of the performance period if the Committee so decides. On a change of control, any vesting of awards will normally be pro-rated by reference to time and performance.

Chairman and Non-Executive Directors

Non-Executive Directors are not employed under service contracts and do not receive compensation for loss of office. All Non-Executive Directors are appointed on a rolling annual basis, which may be terminated on giving three months' notice at any time.

Chairman and Non-Executive Director appointments are subject to Board approval and election by shareholders at each Annual General Meeting.

All service contracts and letters of appointment are available for inspection at the Company's registered office.

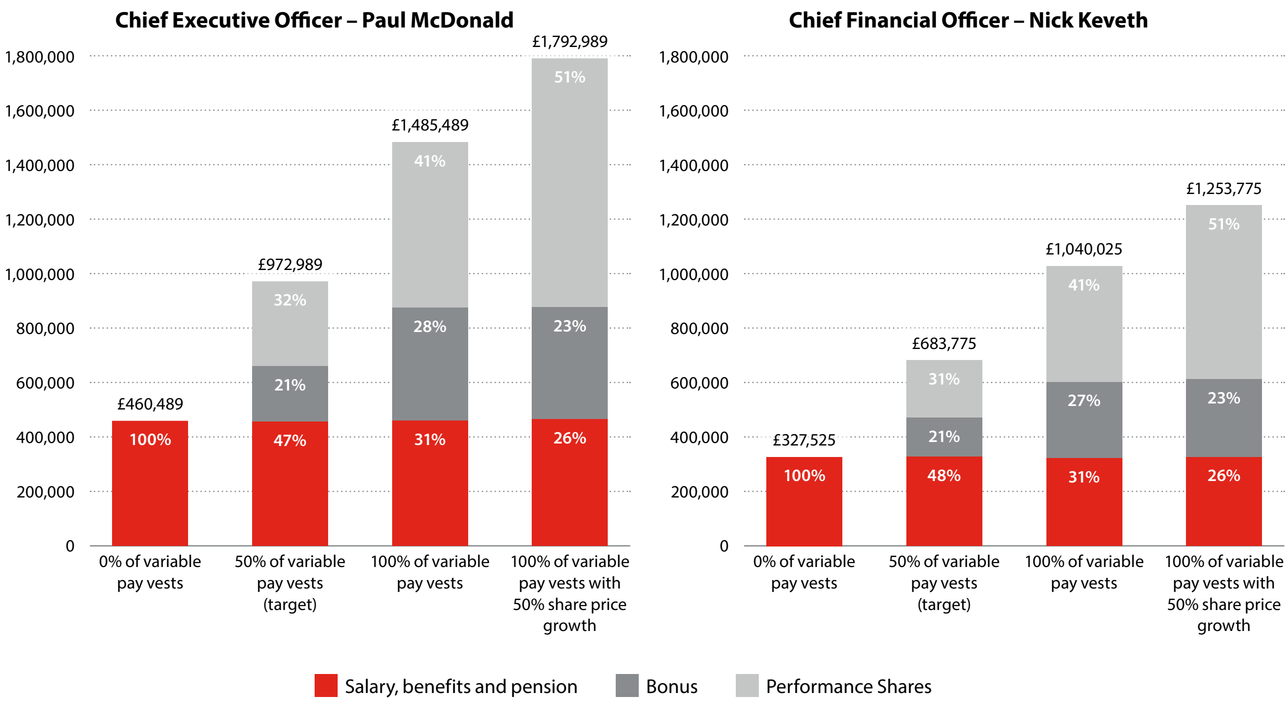
Other appointments

The Company recognises that its Executive Directors may be invited to become Non-Executive Directors of other companies.

Such Non-Executive duties can broaden a Director's experience and knowledge which can benefit Avon Rubber. Subject to approval by the Board, Executive Directors are allowed to accept Non-Executive appointments, provided that these appointments are not likely to lead to conflicts of interest, and the Committee will consider its approach to the treatment of any fees received by Executive Directors in respect of Non-Executive roles as they arise.

Illustration of the application of the Policy

The charts below illustrate how the Policy would function for minimum, on target and maximum performance for each Executive Director.



Assumptions for charts above:

1) Salary levels are based on those applying from 1 October 2019. The pension cost is 15% of annual basic salary. Other benefits relate to private health insurance and executive medical.

2) The on-target level of bonus is 50% of the maximum opportunity, i.e. 50% of salary. The on-target level of vesting under the LTIP is taken to be 50% of the face value of the award at grant, i.e. 62.5% of salary.

3) The maximum level of bonus is 100% of the maximum opportunity, i.e. 100% of salary. The maximum level of vesting under the LTIP is taken to be 100% of the face value of the award at grant, i.e. 150% of salary.

4) Share price appreciation of 50% has been assumed for the LTIP awards under the final scenario (but excluded for the first three).

5) Amounts relating to all-employee share schemes have, for simplicity, been excluded from the charts.

Remuneration Report continued

ANNUAL REPORT ON REMUNERATION

Role and composition of the Remuneration Committee

The Remuneration Committee is responsible for developing and implementing remuneration policy and for determining the Executive Directors' individual packages and terms of service together with those of the other members of the Group Executive management team. When setting the remuneration policy for Directors, the Committee reviews and has regard to the remuneration trends across the Group.

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

- Determining and agreeing with the Board the policy for the remuneration of the Company's Chief Executive Officer, Chief Financial Officer, Chairman, the Company Secretary and such other members of the senior management team as it chooses to consider or is designated to consider (currently the Group Executive management team), having regard to remuneration trends across the Group
- Reviewing the pay arrangements put in place for the broader workforce
- Within the terms of the agreed policy, determining the total individual remuneration package of each Executive Director including, where appropriate, bonuses, incentive payments, share options and pension arrangements. The remuneration of Non-Executive Directors is a matter for the Chairman and the Executive Directors
- Determining the targets for the performance related bonus schemes for the Executive Directors and the Group Executive management team
- Reviewing the design of all share incentive plans for approval by the Board and shareholders
- For any such discretionary plans, determining each year whether awards will be made, the overall amount of such awards, the individual awards to Executive Directors and the Group Executive management team (and others) and the performance targets to be used
- Agreeing termination arrangements for senior Executives
- Providing a remuneration structure that supports the achievement of the Company's performance objectives and, in turn, increases shareholder value

The Committee comprises Chloe Ponsonby, David Evans and Pim Vervaat. By invitation of the Committee, meetings are also attended by the CEO, CFO and the Company Secretary (who acts as secretary to the Committee), who are consulted on matters discussed by the Committee, unless those matters relate to their own remuneration. Advice or information is also sought directly from other employees where the Committee feels that such additional contributions will assist the decision-making process.

The Committee uses external independent professional advisers when needed. During 2019, the Committee was assisted by Aon.

Aon provided implementation advice with respect to the new LTIP and annual performance monitoring data for review by the Committee in relation to the PSP. During the year to 30 September 2019 the Company incurred costs of £0.1m (2018: £0.2m) in respect of fees for Aon's services, charged on a time/cost basis. Aon are members of the Remuneration Consultants Group and, as such, voluntarily operate under the Code of Conduct in relation to executive remuneration consulting in the U.K. The Committee is satisfied that the advice they received is objective and independent.

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

- Reviewed and approved all remuneration packages paid to current Directors
- Approved the annual bonus payments to the Executive Directors in November 2018
- Approved the annual bonus plan for the Executive Directors for the 2019 financial year
- Reviewed and confirmed the vesting of the 2016 PSP awards granted in December 2015
- Reviewed and approved the 2019 LTIP awards granted in March 2019 following shareholder approval of the revised Policy and monitored the performance of the outstanding awards against their performance targets

Since the end of the 2019 financial year, the Committee has:

- Approved annual bonus payments to the Executive Directors and the Group Executive management team, following completion of the external audit in November 2019
- Made preparations for the 2020 LTIP awards to be granted in December 2019 and for the vesting of the 2017 PSP awards granted in December 2016.

The information that follows has been audited (where indicated) by the Company's auditors KPMG LLP.

Directors' remuneration for the year ended 30 September 2019 was as follows:

Single total figure of remuneration for Directors for the year ended 30 September 2019 (audited):

		Fixed Pay				Pay for performance			
	Year	Basic salary and fees £'000	Pension/other supplements £'000	Other Benefits £'000	Sub-total £'000	Annual Bonus £'000	PSP[1] £'000	Sub-total £'000	Total Remuneration £'000
Executive Directors									
Paul McDonald	2019	390	49	2	440	214	117	331	771
	2018	314	47	1	362	255	187	442	804
Nick Keveth	2019	270	41	2	313	148	–	148	461
	2018	233	35	1	269	194	–	194	463
Non-Executive Directors									
David Evans	2019	140	–	4	144	–	–	–	144
	2018	125	–	4	129	–	–	–	129
Pim Vervaat	2019	56	–	–	56	–	–	–	56
	2018	51	–	–	51	–	–	–	51
Chloe Ponsonby	2019	51	–	–	51	–	–	–	51
	2018	51	–	–	51	–	–	–	51
Total	2019	907	90	8	1,004	362	117	479	1,483
	2018	774	82	6	862	449	187	636	1,498

1 The three year performance period for EPS in respect of these awards finished on 30 September 2018 but vesting was not determined until the end of November 2018, with TSR performance measured following the release of the Group results

Basic salary

When reviewing salary levels, the Committee takes into account a number of internal and external factors, primarily the salary review principles applied to the rest of the organisation, but also Company performance during the year and external market data. Having moved away from fixing salaries for a set period the Committee confirmed an increase to the salaries for Paul McDonald and Nick Keveth of 5.1% and 5.6% respectively with effect from 1 October 2019. This was above the cost of living pay increase within the wider workforce of 3% and reflects their strong performance and the continuing evolution of the Group.

	2019	2020	% Increase
Paul McDonald	£390,000	£410,000	+5.1%
Nick Keveth	£270,000	£285,000	+5.6%

Non-Executive Director Fees

The Chairman and Non-Executive Directors received the following fees during 2019. No increases are proposed for 2020, save that the Board has agreed that a supplementary fee shall be paid to the Non-Executive Director who assumes responsibility for workforce engagement, currently Chloe Ponsonby.

	2019	2020	% Increase
Chairman	£140,000	£140,000	–
Non-Executive Director	£40,500	£40,500	–
Committee Chairman	£10,000	£10,000	–
Senior Independent Director	£5,000	£5,000	–
Employee Engagement Director	nil	£5,000	–

Remuneration Report continued

Benefits and pension (audited)

These will be paid and provided in accordance with the approved Policy. Benefits include the cost of private health insurance, critical illness insurance and executive medical. No Director waived emoluments in respect of the year ended 30 September 2019 (2018: £nil). For 2020 benefits will be in line with those received in 2019. All employees including the Executive Directors are entitled to life insurance which pays out a lump sum of six times salary on death. As confirmed under the Policy, the Executive Directors are currently entitled to receive a contribution towards pension of 15% of basic salary, paid either as a non-pensionable salary supplement or delivered though the Group's money purchase scheme. Under the Company's money purchase scheme, members receive a pension based upon the size of their retirement account on retirement from age 65. The Company does not contribute to any pension arrangements for Non-Executive Directors.

Paul McDonald is a member of the money purchase scheme. Part of his company pension contribution is paid into the pension scheme with the remainder paid as a salary supplement.

Nick Keveth has reached the lifetime allowance and has not joined the Plan. His pension contribution is paid entirely as a salary supplement. The employer pension contribution is shown in the table below.

Executive Director	Salary Supplement £'000	Contribution into the plan £'000
Paul McDonald	49	10
Nick Keveth	41	–

Annual bonus

The Remuneration Committee determined at its meeting on 7 November 2019 that certain criteria for making an award under the annual bonus scheme had been met. No discretion was exercised by the Committee to reduce or increase payments. The breakdown is as follows:

						Paul McDonald		Nick Keveth	
						CEO		CFO	
	Threshold (0% payable)	Target (50% payable)	Stretch (100% payable)	Actual/ Reported	Applied	Bonus payable	Max	Bonus payable	Max
Financial Targets									
Revenue growth on previous year	£175.5m	£178.0m	£180.6m	£179.3m	74%	15%	20%	15%	20%
Bonus will be earned for growth on the previous year between 2% and 5% on a straight line basis. Measured (for foreign exchange translation) at prior year exchange rates (i.e. constant currency measure).									
Profit growth on previous year (year on year PBITE growth)	£29.0m	£30.1m	£31.2m	£31.3m	100%	40%	40%	40%	40%
Bonus will be earned for growth on the previous year between 2% and 10% on a straight line basis. Measured (for foreign exchange translation) at prior year exchange rates (i.e. constant currency measure).									
Group cash generation (ratio of operating cash flow to operating profit)	85%	95%	105%	63.5%	0%	0%	40%	0%	40%
As reported in the Annual Report and Accounts each year. Pays on a straight line basis where the ratio exceeds 85% up to a maximum of 105%. Excludes exceptional items and other adjustments from both measures.									
Total bonus 2019 as a percentage of basic salary						54.8%	100%	54.8%	100%

In accordance with the Policy, 75% of the Director's bonus will be paid in cash and the remaining 25% will be deferred into shares to be held for two years.

For the year ending 30 September 2020, the maximum opportunity under the annual bonus plan will be 100% of base salary for both Executive Directors. 25% of the total bonus payment will be deferred into shares for two years.

Bonuses will be based on Group revenue growth on previous year (20%), operating profit growth on previous year (40%) and Group cash conversion (40%), with 20% of the maximum bonus payable at threshold levels of performance and 50% for on-target performance.

The Committee has chosen not to disclose, in advance, the detailed financial performance targets for the forthcoming year as these include matters which the Committee considers commercially sensitive. Retrospective disclosure of the performance against them will be made in next year's Annual Report on Remuneration to the extent the targets are not commercially sensitive at that time.

Performance Share Plan (audited)

The Committee determined in November 2018 that 84% of the 2016 award granted on 1 December 2015 vested on the basis of TSR and EPS performance over the three years from 1 October 2015 to 30 September 2018. The Company's TSR of 32.8% compared to the upper quartile of the comparator group at 47.7%. The Company's EPS growth was 44.1% compared to the threshold and maximum targets of 16% and 34% (CPI +3% to CPI +8%) respectively. The Committee considers that the financial performance of the Company and Paul McDonald's performance fully justifies this level of vesting.

As a consequence, and as announced to shareholders in December 2018, 9,178 shares were awarded to Paul McDonald, which at the market share price on the day of vesting of £12.725 were worth £117k. The amount of this figure attributable to share price appreciation is £19k. The Committee did not consider it necessary to apply any discretion to adjust the outcome for these awards.

The Directors' contingent interests in ordinary shares under the Plan at 30 September 2019 were as follows:

	30 September 2018	Granted in the year[1]	Exercised in the year	Lapsed in the year	30 September 2019[2]
Paul McDonald	52,232	38,599	(9,178)	(1,734)	79,919
Nick Keveth	20,325	26,722	–	–	47,047
Other senior employees[3]	354,605	111,455	(83,812)	(18,238)	364,010

1 The award price at the date of grant (20 March 2019) was 1263 pence which was the average price of the Company's shares over the five days prior to the date of the grant. This price was used to make face value awards of nil cost options at 125% of salary

2 The weighted average remaining life of the awards outstanding at the year-end is 1.2 years (2018: 1.6 years)

3 This figure includes 93,703(2018: 107,747) in respect of key management as defined in note 6.1 of the financial statements

Outstanding awards granted annually under the Plan were as follows:

	2017	2018	2019	Total[3]
Paul McDonald[1]	14,809	26,511	38,599	79,919
Nick Keveth[2]	–	20,325	26,722	47,047
Other senior employees	136,353	134,575	93,082	364,010
	151,162	181,411	158,403	490,976

1 Paul McDonald was appointed as a Director on 15 February 2017

2 Nick Keveth was appointed as a Director on 1 June 2017

3 In relation to the awards outstanding at 30 September 2019, deferred loan payments for the awards granted in 2016 will become due to the Company as follows: Paul McDonald £1,836, Nick Keveth nil

The award price for the 2019 awards was 1263, 2018 awards was 1132 pence and for the 2017 awards it was 1053 pence.

Remuneration Report continued

PSP performance conditions

	30 September 2018	30 September 2019	30 September 2020	30 September 2021
PSP Performance Period years ending	(Cycle H)[3]	(Cycle I)[4]	(Cycle J)[5]	(Cycle K)[5]
TSR element[1]	50%	50%	50%	50%
EPS element[2]	50%	50%	50%	50%
Total exercisable rate (% grant)	100%	100%	100%	100%

1 Based on Avon Rubber p.l.c.'s TSR ranked relative to companies in the FTSE SmallCap Index at the start of the period. For awards after 1 October 2015 the FTSE All-Share index (excluding investment trusts) is used. Over the three year period the Company's TSR performance is compared with a scale which provides for 25% vesting if TSR is equal to median of the comparator group and maximum vesting if TSR is equal to, or exceeds, the upper quartile, with vesting on a pro-rata basis for performance between these two figures (and nil vesting below median). For awards made after 1 October 2018 the threshold level of vesting under the TSR element was reduced to 20% from 25%

2 For the EPS measure, adjusted earnings per share over the performance period are compared with a scale which provides for nil vesting at RPI +3% and maximum vesting at RPI +8%, with vesting on a pro-rata basis for performance between these two figures. For all awards from 1 October 2015, the Committee amended the calculation of the EPS performance condition to CPI instead of RPI. For awards after 1 October 2018, the EPS targets provides for nil vesting at 5% and maximum vesting at 10%, with vesting on a pro-rata basis between these two figures

3 These awards vested at 84%in December 2018 on the basis of a Company TSR of 32.8% compared to the upper quartile of the comparator group at 47.7%

4 The three year performance period for EPS in respect of these awards is complete but vesting is not determined until the end of November 2019, with TSR performance measured following the release of the Group results

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

2020 Long-Term Incentive Plan Awards

The Remuneration Committee has decided that the 2020 LTIP awards will take the form of nil-cost options with a market value at grant of 150% of salary for the Executive Directors. Vesting will be subject to the following performance conditions over three years to 30 September 2022:

- 50% will be based on relative TSR performance with 20% vesting at median increasing to 100% for upper quartile performance. The comparator group will be the FTSE All-Share index (excluding investment trusts)
- 50% will be based on EPS growth. EPS growth will be compared on a scale which provides for nil vesting at 5% and maximum vesting at 12%, with vesting on a pro-rata basis between these two figures. In addition, the Committee must be satisfied with the level of ROCE performance during the period taking account of a range of factors. If the Committee is not satisfied with the level of ROCE performance it may reduce (potentially to zero) the outturn against the performance measure

The performance conditions have been reviewed to ensure they remain stretching. In doing so the Committee has reviewed, amongst other things, the impact on EPS of the expected normalisation, during the performance period, of the Group's effective rate of corporate tax.

Any shares which vest from this award will be subject to a compulsory two year post-vesting holding period.

Directors' shareholdings and share interests and position under shareholding guidelines (audited)

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

	At the beginning of the year	At the end of the year	Actual value[3] £'000	Target value[4] £'000	Achievement[5]	Shares held voluntarily in excess of guideline Number of shares
Paul McDonald	28,346	32,827[1]	546	780	140%	–
Nick Keveth	11,581	13,023[2]	216	540	80%	–
David Evans	25,000	25,000	416	n/a	n/a	n/a
Pim Vervaat	3,000	7,500	125	n/a	n/a	n/a
Chloe Ponsonby	3,400	4,550	76	n/a	n/a	n/a

1 Includes 3,231 shares held under the annual bonus deferral scheme

2 Includes 1,673 shares held under the annual bonus deferral scheme and 340 shares purchased through the SIP

3 Using the closing share price on 30 September 2019 of £16.62

4 200% of current salary for Executive Directors. Salaries used are those effective 1 October 2019

5 Actual value as a percentage of current salary

Interests in jointly owned shares held by the Executive Directors under the PSP are excluded from the above.

The only change in the interests set out above between 30 September 2019 and 13 November 2019 were the additional nine shares bought by Nick Keveth under the Share Incentive Plan, which increased his total shareholding to 13,032.

Dilution

The Company reviews the awards of shares made under the all employee and executive share plans in terms of their effect on dilution limits in any rolling ten year period. In respect of the 5% and 10% limits recommended by the Investment Association, the relevant percentages were 7.73% and 7.73% respectively based on the issued share capital at 30 September 2019 and no change to this is proposed.

In 2011 shareholders approved a 15% dilution limit for all employee schemes which is in excess of the 10% recommended by the Investment Association, and a 10% dilution limit for discretionary (executive) schemes which is in excess of the 5% recommended by the Investment Association. At the time the Company committed to consult with certain institutional shareholders before exceeding the 10% limit but has never had cause to do this and has no plans to exceed 10% in future. In practice there is therefore a 10% dilution limit on all schemes which the Company will continue to operate within.

It remains the Company's practice to use Employee Share Ownership Trusts ('ESOTs') in order to meet its liability for shares awarded under the LTIP. Two trusts have been established in connection with the jointly owned equity awards. At 30 September 2019 there were 506,274 shares held in the ESOTs which will either be used to satisfy awards granted under the PSP to date, or in connection with future awards. A hedging committee ensures that the ESOTs hold sufficient shares to satisfy existing and future awards made under the PSP and LTIP by buying shares in the market or causing the Company to issue new shares. Shares held in the ESOTs do not receive dividends.

As at 30 September 2019, the market price of Avon Rubber p.l.c. shares was £16.62 (2018: £12.90). During the year the highest and lowest market prices were £18.16 and £11.80 respectively.

Share incentive Plan

The Company currently operates the Avon Rubber p.l.c. Share Incentive Plan (the 'SIP'), approved by shareholders at the Annual General Meeting in February 2012. All U.K. tax resident employees of the Company and its subsidiaries are entitled to participate. Under the SIP, participants purchase shares in the Company monthly using deductions from their pre-tax pay. Paul McDonald is not a member of the SIP. Nick Keveth is a member and as at 30 September 2019 had purchased 340 shares through this scheme. The maximum contribution each month under the SIP is currently £150, a sum which is set by the Government. Nick Keveth has participated in the SIP at the maximum level since July 2017.

Payments to past Directors and payments for loss of office (audited)

There were no payments for loss of office during the year.

Service contracts and letters of appointment

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

	Contract date	Company notice period	Executive notice period
Paul McDonald	14 February 2017	12 months	12 months
Nick Keveth	9 May 2017	12 months	12 months

The date of each Non-Executive appointment is set out below, together with the date of their last re-election by shareholders.

	Date of initial appointment	Date of last re-election
David Evans	1 June 2007	1 February 2019
Chloe Ponsonby	1 March 2016	1 February 2019
Pim Vervaat	1 March 2015	1 February 2019

All service contracts and letters of appointment are available for inspection at the Company's registered office.

Other appointments

Neither Paul McDonald nor Nick Keveth are currently appointed as a Non-Executive Director of any company outside the Group.

Remuneration Report continued

Chief Executive Officer's remuneration

The total remuneration figures, including annual bonus and vested PSP awards (shown as a percentage of the maximum that could have been achieved) for the Chief Executive Officer for each of the last ten financial years are shown in the table below.

Mr Slabbert retired on 30 September 2015. Mr Rennie stood down from the Board on 15 February 2017 and was replaced by Paul McDonald on 15 February 2017.

Year	CEO	CEO single figure of total remuneration £'000	Annual bonus pay out against maximum opportunity	Long-term incentive vesting rates
2019	Paul McDonald	771	55%	84%
2018	Paul McDonald	804	80%	99%
2017	Paul McDonald	684[1]	81%	100%
2017	Rob Rennie	213	57%	–
2016	Rob Rennie	484	52%	–
2015	Peter Slabbert	1,435	91%	96%
2014	Peter Slabbert	1,538	91%	100%
2013	Peter Slabbert	1,374	86%	100%
2012	Peter Slabbert	1,864	40%	100%
2011	Peter Slabbert	404	74%	nil
2010	Peter Slabbert	395	90%	nil

1 Includes remuneration received in the period prior to his appointment as Director during the year

Percentage change in remuneration of the CEO compared with other employees

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

	CEO			All employees		
	2017	2018	2019	2017	2018	2019
Salary	0%	+18.2%	+3%	+2%	+2.5%	+3%
Benefits	0%	0%	0%	0%	0%	0%
Annual Bonus	+4%	+41%	-16.2%	+109%	+77.2%	-22.5%

We note that requirements for CEO pay ratio disclosures from 2020 have been published. We will be seeking to comply with these but have made the decision not to publish a ratio this year whilst we prepare for the new requirements.

Relative importance of spend on pay

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

	Global remuneration spend	Other expenditure as a percentage of global remuneration spend							
		Dividends to shareholders		Profit retained		Research and development expenditure		Expenditure on property, plant and machinery	
	£'000	£'000	%	£'000	%	£'000	%	£'000	%
2019	45,544	5,377	11.8%	8,960	19.7%	8,167	17.9	3,882	8.5%
2018	44,616	4,136	9.3%	17,297	38.8%	9,692	21.7%	3,494	7.8%
2017	43,673	3,176	7.3%	18,311	41.9%	8,394	19.2%	2,644	6.1%
2016	38,211	2,430	6.4%	15,849	41.5%	8,341	21.8%	3,689	9.7%

Statement of shareholder voting on the remuneration report

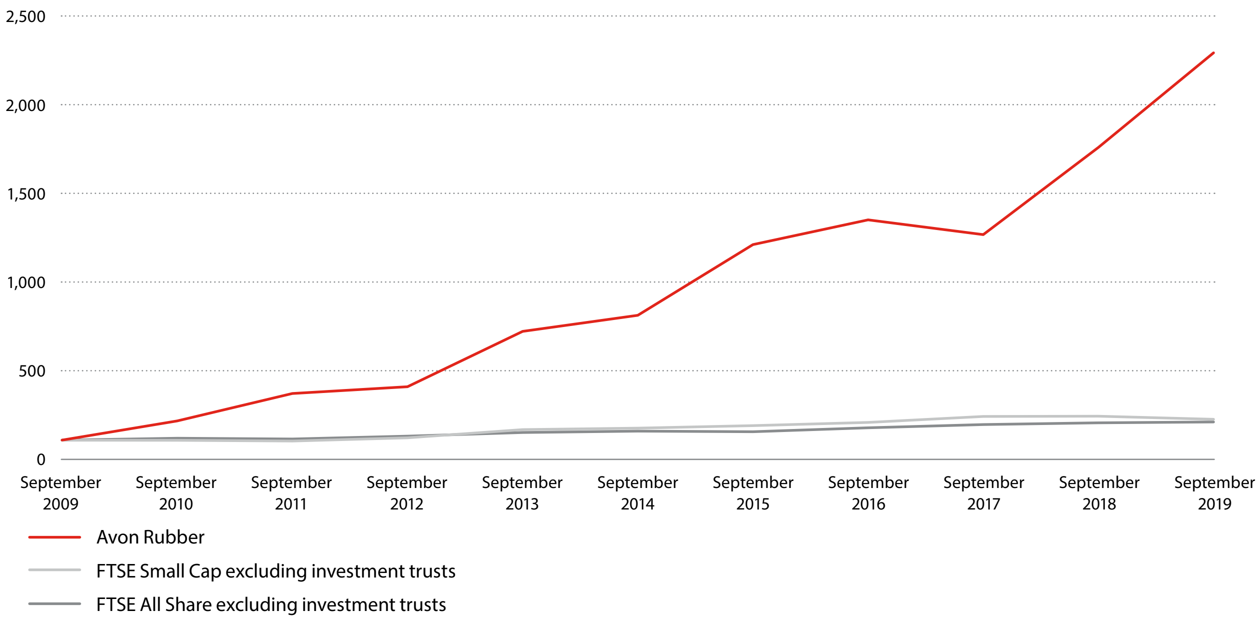
The shareholder vote on the Remuneration Report for the year ended 30 September 2018 at the Annual General Meeting which took place on 31 January 2019 was as follows:

Resolution	Votes for (including discretionary)	% For	Votes against (excluding withheld)	% Against	Total (excluding withheld and third party discretionary)	Withheld
Approval of the Remuneration Report	19,401,609	94.28	1,176,000	5.71	20,577,609	119,028
Approval of Remuneration Policy	20,492,516	99.01	203,267	0.98	20,695,783	854

Total shareholder return performance graph

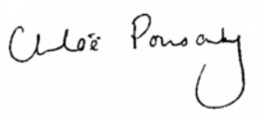
The following graph illustrates the total return, in terms of share price growth and dividends on a notional investment of £100 in the Company over the last ten years relative to the FTSE SmallCap Index (excluding investment trusts) and the FTSE All Share Index (excluding investment trusts). These indices were chosen by the Remuneration Committee as a competitive indicator of general UK market performance for companies of a similar size.

Total shareholder return performance graph



Source: Thomson Reuters Datastream

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



Chloe Ponsonby
Chair of the Remuneration Committee

13 November 2019

Directors' Report

The Directors submit the Annual Report and audited financial statements of Avon Rubber p.l.c. ('the Company') and the Avon Rubber Group of companies, ('the Group') for the year ended 30 September 2019. The Company is a public limited company incorporated and domiciled in England and Wales with company registration number 32965. The Company's subsidiary undertakings, including those located outside the U.K., are listed in note 7.4 to the financial statements.

Strategic Report

The Strategic Report, which contains a review of the Group's business (including by reference to key performance indicators), a description of the principal risks and uncertainties facing the Group, and commentary on likely future developments is set out on pages 14 to 59 and is incorporated into this Directors' Report by reference.

Financial results and dividend

The Group statutory profit for the year after taxation amounts to £14.3m (2018: £21.4m). Full details are set out in the Consolidated Statement of Comprehensive Income on page 104.

An interim dividend of 6.94p per share was paid in respect of the year ended 30 September 2019 (2018: 5.34p).

The Directors recommend a final dividend of 13.89p per share (2018: 10.68p) resulting in a total dividend distribution per share for the year to 30 September 2019 of 20.83p (2018: 16.02p).

Share capital

As at 13 November 2019, the issued share capital of the Company was 31,023,292 ordinary shares of £1 each. Details of the shares in issue during the financial year are set out in note 5.5 of the financial statements.

The rights and obligations attaching to the Company's shares are set out in the Company's Articles of Association ('the 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, to attend and speak at general meetings, to exercise voting rights in person or by appointing a proxy and to receive a dividend where declared or paid out of profits available for that purpose. 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 506,274 shares held in the names of the two Employee Share Ownership Trusts on a jointly owned basis or as a hedge against awards previously made or to be made pursuant to the Performance Share Plan are held on terms which provide voting rights to the Trustee and, in certain circumstances under the terms of joint ownership awards, to the recipient of the awards.

During the year the trust acquired 100,000 shares (2018: 100,000) at a cost of £1.3m (2018: £1.1m).

92,990 (2018: 154,641) shares were used to satisfy awards following the vesting of shares relating to the 2010 Performance Share Plan.

The Company is also not aware of any agreements between its shareholders which may restrict the transfer of their shares or the exercise of their voting rights. The only exception to this being the Trustees of the two Employee Share Ownership Trusts have waived their rights to dividends.

At the Company's last Annual General Meeting held on 31 January 2019, shareholders authorised the Company to make market purchases of up to 3,102,329 of the Company's issued ordinary shares. No shares were purchased under this authority during the year. A resolution will be put to shareholders at the forthcoming Annual General Meeting to renew this authority.

The Directors require authority to allot unissued share capital of the Company and to disapply shareholders' statutory pre-emption rights. Such authorities were granted at the 2019 Annual General Meeting and resolutions to renew these authorities will be proposed at the 2020 Annual General Meeting, see explanatory notes on pages 156 and 157. No shares were allotted under this authority during the year.

Substantial shareholdings

As at 30 October 2019, the following shareholders held 3% or more of the Company's issued share capital.

Capital Research and Management Company	9.64%
Schroder Investment Management	6.01%
Fidelity Management & Research (FMR)	5.87%
Kempen Capital Management	5.40%
Threadneedle Asset Management	5.15%
BlackRock Investment Management	5.03%
Janus Henderson Investors	4.54%
Polar Capital Partners	4.21%
JPMorgan Asset Management (U.K.)	4.05%

Significant agreements – change of control

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 Company's revolving credit facility agreement
- The Performance Share Plan/Long-Term Incentive Plan ('the Plans')

The unsecured revolving credit facility of $85m provided by Barclays Bank PLC and Comerica Bank Inc. contains a provision which, in the event of a change of control of the Company, gives the lending banks the right to cancel all commitments to the Company and to declare all outstanding credit and accrued interest immediately due and payable.

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) gains direct or indirect control of the Company.

Under the rules of the Plans, 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.

It is also possible that the trustee of the pension plan would seek to review the current funding arrangements and deficit recovery plan as part of or following a change of control, particularly if that resulted in a weakening of the employer covenant.

The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a change of control, except in relation to the Performance Share Plan as described above.

Directors

There were no changes to the Board of Directors during 2019. The Directors of the Company who were in office during the year and up to 13 November 2019 are set out on pages 62 and 63 along with their photographs and biographies.

According to the Articles of Association, all Directors are subject to election by shareholders at the first Annual General Meeting following their appointment, and to re-election thereafter at intervals of no more than three years. In line with best practice reflected in the U.K. Corporate Governance Code, however, all current Directors will be standing for reappointment at the forthcoming Annual General Meeting to be held on 30 January 2020. The remuneration of the Directors including their respective shareholdings in the Company is set out in the Remuneration Report on pages 73 to 89.

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.

Directors' Report continued

Directors' and Officers' indemnity insurance

In accordance with the Company's Articles and subject to the provisions of the Companies Act 2006 ('the Act'), the Company maintains, at its expense, Director's and Officer's insurance to provide cover in respect of legal action against its Directors. This was in force throughout the financial year and remains in force as at the date of this report.

The Company's Articles 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.

Conflicts of interest

During the year no Director held any beneficial interest in any contract significant to the Company's business, other than a contract of employment. The Company has procedures set out in the Articles for managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Group, they are required to notify the Board as soon as reasonably practicable.

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 fields of respiratory protection, dairy milking technology and polymer engineering. The Group maintains its links to key universities in the U.S. and U.K. 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 £8.2m (2018: £9.7m) further details of which are contained in the Strategic Report on page 43.

Corporate governance

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 64 to 67. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by cross-reference.

Environmental and corporate social responsibility

Matters relating to Environmental and Corporate Social Responsibility including reference to our policy on diversity are set out on pages 52 to 59.

Greenhouse gas emissions

The disclosures concerning greenhouse gas emissions required by law are included in the Environment and Corporate Social Responsibility Report on page 53.

Political and charitable contributions

No political contributions were made during the year or the prior year. Contributions for charitable purposes amounted to £38,421 (2018: £39,098) consisting exclusively of numerous small donations to various community charities in Wiltshire, Albinea, Maryland, Michigan and Wisconsin.

Financial instruments

An explanation of the Group policies on the use of financial instruments and financial risk management objectives are contained in note 5.4 of the financial statements.

Independent auditors

Each of the Directors who held office at the date of approval of this Directors' Report confirm that, 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.

Auditor

KPMG LLP has expressed its willingness to continue in office as independent auditor and a resolution to re-appoint them and authorising the Board to agree their remuneration will be proposed at the Annual General Meeting.

Annual General Meeting

The Company's Annual General Meeting will be held at our Hampton Park West facility, Semington Road, Melksham, Wiltshire SN12 6NB on 30 January 2020 at 10.30am. Registration will be from 10.00am. The Notice of the Annual General Meeting and an explanation of the resolutions to be put to the meeting are set out in the Notice of Meeting and can be found on pages 154 to 159.

Statement of Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the Parent Company financial statements in accordance with U.K. accounting standards and applicable law (U.K. Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable U.K. accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the U.K. governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the Directors, whose names and functions are listed on pages 62 and 63, confirms that to the best of their knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report/Directors' Report include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Directors' Report and responsibility statement was approved by the Board of Directors on 13 November 2019 and is signed on its behalf by:

Paul McDonald
Chief Executive Officer

13 November 2019

"We are recognised as the leader within our chosen market segments. There are further opportunities to maximise growth from our product and service portfolio."

Financial Statements

Independent Auditors' Report

to the Members of Avon Rubber p.l.c.

1. Our opinion is unmodified

We have audited the financial statements of Avon Rubber plc ('the Company') for the year ended 30 September 2019 which comprise the Consolidated and Parent Company Balance Sheets; the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated and Parent Company Statements of Changes in Equity, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with U.K. accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (U.K.) ('ISAs (U.K.)') and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 1 February 2019. The period of total uninterrupted engagement is for the financial year ended 30 September 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, U.K. ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview	
Materiality: Group financial statements as a whole	£1.1m 5% of normalised Group profit before tax
Coverage	89% of Group profit before tax
Key audit matters	
Group Risks	Development costs Uncertain tax positions Pension obligation Contract liabilities
Parent Company	Recoverability of Parent Company's investment in subsidiaries

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Development costs (£16.3m; 2018: £18.7m) Refer to page 69 (Audit Committee Report), page 108 (accounting policy) and page 113, 123 and 124 (financial disclosures).	**Subjective estimate:** • The estimated recoverable amount of these assets is supported by forecasting and discounting future cash flows (based on assumptions such as discount rates and growth rates), which are inherently highly judgemental. These uncertainties, combined with the quantum of the intangibles balance, means that the recoverable amount of development costs is subject to significant estimation uncertainty. • The critical issue is to establish whether there is sufficient demand for the products which generate these cash flows and the application of accounting standards to determine the criteria which is inherently subjective as this involves an assessment of the probability of future outcomes. • The effect of these matters is that, as part of our risk assessment, we determined that the estimated recoverable amount of these assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (page 113) disclose the sensitivity estimated by the Group.	**Our procedures included:** • **Historical comparison and our sector knowledge:** Challenging the detailed forecasts which support the estimated recoverable amount by reference to historical accuracy of previous forecasts, discussions with operational management on the timing of when new products are expected to receive regulatory clearance as compared to what was assumed in the forecasts and the size of the potential market. • **Benchmarking assumptions:** Comparing the Group's assumptions to externally derived data in relation to key inputs such as projected economic growth beyond the detailed forecast period and discount rates. • **Sensitivity analysis:** Performing sensitivity analysis to determine if reasonably possible reductions in cashflows would result in an impairment. • **Assess transparency:** Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflect the risks inherent in the estimation of the recoverable amount of the development costs. **Our results** • We found the carrying amount of developments costs to be acceptable.
Uncertain Tax positions (£2.9m; 2018: £5.8m) Refer to page 69 (Audit Committee Report), page 108 (accounting policy) and page 113, 121 and 122 (financial disclosures).	**Dispute outcome:** • Accruals for tax contingencies require the Directors to make judgements and estimates in relation to tax issues and exposures given that the Group operates in a number of tax jurisdictions, the complexities of transfer pricing and other international tax legislation and the time taken for tax matters to be agreed with the tax authorities. • The effect of these matters is that, as part of our risk assessment, we determined that the estimation of tax liabilities has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements disclose the range estimated by the Group.	**Our procedures included:** • **Our tax expertise:** Use of our own international and local tax specialists to assess the Group's tax positions, its correspondence with the relevant tax authorities, and to analyse and challenge the assumptions used to determine tax provisions based on our knowledge and experiences of the application of the international and local legislation by the relevant authorities and courts. • **Assessing transparency:** Assessing the adequacy of the Group's disclosures in respect of tax and uncertain tax positions. **Our results** • We found the carrying amount of the uncertain tax provision to be acceptable.

Independent Auditors' Report continued

to the Members of Avon Rubber p.l.c.

2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Pension obligation (£392.1m; 2018: £346.9m) Refer to page 69 (Audit Committee Report), page 110 (accounting policy) and pages 113 and 136 to 138 (financial disclosures).	**Subjective Estimate:** • Small changes in the assumptions and estimates used to value the Group's pension obligation (before deducting scheme assets) would have a significant effect on the Group's net pension deficit. • The effect of these matters is that, as part of our risk assessment, we determined that pension liability has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 6.2) disclose the sensitivity estimated by the Group.	**Our procedures included:** • **Benchmark assumptions:** Challenging, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data including the model used to estimate the additional liability arising from the GMP equalisation. • **Assess transparency:** Considering the adequacy of the Group's disclosures in respect of the sensitivity of the deficit to these assumptions. **Our results** • We found the carrying amount of the pension obligation (before deducting scheme assets) to be acceptable.
Contract Liabilities Refer to page 109 (accounting policy) and page 113 and 126 (financial disclosures).	**2019/2020 sales:** • Pressures on achieving internal and external expectations of results and the fact that certain members of the Management team are remunerated based on the Group's results increase the risk of incorrect revenue recognition. • The estimation of variable consideration on certain U.S. contracts in the Avon Protection business involves certain assumptions and judgement. The Directors have made an estimate of amounts which could be due back to the customer reflecting the risks inherent within the performance of the contract over a number of years, which is recognised as a contract liability.	**Our procedures included:** • **Data and analytics routines:** Using data and analytics techniques to search for fraudulent manual journal entries posted to revenue. • **Our sector knowledge:** Evaluating the Directors' assessment of the risk of claw back based on our independent reading of the relevant contractual terms, our sector knowledge and the revenue recognised. • **Test of details:** Agreeing specific billings around the year-end period to dispatch note or terms of the specific sale agreement to assess whether they have been recorded in the correct period. **Our results** • We found the amount of revenue recognised to be acceptable.
Recoverability of Parent Company's investments in subsidiaries (£87.8m; 2018: £70.8m) Refer to page 146 (accounting policy) and page 148 (financial disclosures).	**Low risk, high value** The carrying amount of the Parent Company's investments in subsidiaries represents 98% of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.	**Our procedures included:** • **Tests of detail:** Comparing the carrying amount of 100% of investments with the relevant subsidiaries' balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. • **Assessing subsidiary audits**: Assessing the work performed by the subsidiary audit teams on all of those subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets. **Our results** • We found the carrying amount of the investments in subsidiaries to be acceptable.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £1.1m, determined with reference to a benchmark of Group profit before tax, normalised to exclude this year's pension past service cost as disclosed in note 6.2, of which it represents 5.0%.

Materiality for the Parent Company financial statements as a whole was set at £1.0m determined with reference to a benchmark of Company total assets, of which it represents 0.7%.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £56,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's ten reporting components, we subjected four to full scope audits for Group purposes. The components within the scope of our work accounted for the percentages illustrated opposite.

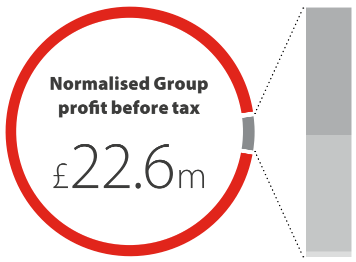
The remaining 12% of total Group revenue, 11% of Group profit before tax and 10% of total Group assets is represented by six reporting components, none of which individually represented more than 10% of any of total Group revenue, Group profit before tax or total Group assets. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team set the component materialities, which ranged from £0.4m to £1m, having regard to the mix of size and risk profile of the Group across the components. The work on all of the components including the audit of the Parent Company, was performed by the Group team. The Group team performed procedures on the items excluded from adjusted Group profit before tax..

The Group team visited five component locations in the U.K., Italy and U.S. to assess the audit risk and strategy.

Normalised Group profit before tax £22.6m

Group materiality £1.1m



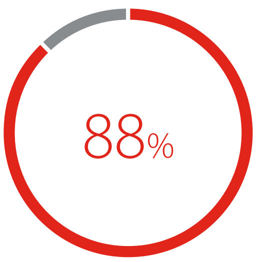
£1.1m
Whole financial statements materiality

£1m
Range of materiality at four components (£0.4m – £1.0m)

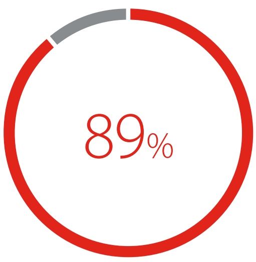
£0.05m
Misstatements reported to the audit committee

- Normalised PBT
- Group materiality

Group revenue



Group profit before tax



Group total assets

- Full scope for Group audit purposes
- Specified audit procedures
- Residual components

Independent Auditors' Report continued

to the Members of Avon Rubber p.l.c.

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model, including the impact of Brexit, and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least 12 months from the date of approval of the financial statements; or
- if the same statement is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the viability statement (page 67) that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the U.K. Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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 Directors' 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.

We have nothing to report in these respects.

Independent Auditors' Report continued

to the Members of Avon Rubber p.l.c.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 64, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (U.K.) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery and corruption, recognising the Governmental nature of many of the Group's customers. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Campbell-Orde (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

13 November 2019

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2019

		2019			2018		
	Note	Adjusted £m	Adjustments[1] £m	Total £m	Adjusted £m	Adjustments[1] £m	Total £m
Continuing operations							
Revenue	2.1	179.3	–	179.3	165.5	–	165.5
Cost of sales		(106.8)	–	(106.8)	(99.9)	–	(99.9)
Gross profit		72.5	–	72.5	65.6	–	65.6
Selling and distribution costs		(20.4)	–	(20.4)	(20.3)	–	(20.3)
General and administrative expenses		(20.8)	(16.9)	(37.7)	(18.0)	(4.5)	(22.5)
Operating profit	2.1	31.3	(16.9)	14.4	27.3	(4.5)	22.8
Operating profit is analysed as:							
Before depreciation, amortisation and impairment		39.5	(8.5)	31.0	35.3	(1.4)	33.9
Impairment	3.1, 3.2	–	(4.9)	(4.9)	–	–	–
Depreciation and amortisation	3.1, 3.2	(8.2)	(3.5)	(11.7)	(8.0)	(3.1)	(11.1)
Operating profit		31.3	(16.9)	14.4	27.3	(4.5)	22.8
Finance income	5.2	0.4	–	0.4	0.2	–	0.2
Finance costs	5.2	(0.2)	–	(0.2)	(0.2)	–	(0.2)
Other finance expense	5.2	(0.1)	(0.8)	(0.9)	(0.1)	(1.1)	(1.2)
Profit before taxation	2.5	31.4	(17.7)	13.7	27.2	(5.6)	21.6
Taxation	2.6	(3.4)	4.0	0.6	(3.7)	1.9	(1.8)
Profit for the year from continuing operations		28.0	(13.7)	14.3	23.5	(3.7)	19.8
Discontinued operations – gain for the year	2.2	–	–	–	–	1.6	1.6
Profit for the year		28.0	(13.7)	14.3	23.5	(2.1)	21.4
Other comprehensive income/(expense)							
Items that are not subsequently reclassified to the income statement							
Actuarial (loss)/gain recognised on retirement benefit scheme	6.2	–	(9.2)	(9.2)	–	13.7	13.7
Deferred tax relating to retirement benefit scheme	2.6	–	1.5	1.5	–	(2.3)	(2.3)
Items that may be subsequently reclassified to the income statement							
Net exchange differences offset in reserves		2.3	–	2.3	1.3	–	1.3
Tax relating to exchange differences offset in reserves		(0.5)	–	(0.5)	(0.3)	–	(0.3)
Cash flow hedges	5.4	(0.9)	–	(0.9)	(0.6)	–	(0.6)
Deferred tax relating to cash flow hedges	2.6	0.2	–	0.2	–	–	–
Other comprehensive income/(expense) for the year, net of taxation		1.1	(7.7)	(6.6)	0.4	11.4	11.8
Total comprehensive income for the year		29.1	(21.4)	7.7	23.9	9.3	33.2
Earnings per share	2.3						
Basic		91.7p	(44.8p)	46.9p	77.1p	(7.0p)	70.1p
Diluted		90.9p	(44.4p)	46.5p	76.6p	(7.0p)	69.6p
Earnings per share from continuing operations	2.3						
Basic		91.7p	(44.8p)	46.9p	77.1p	(12.2p)	64.9p
Diluted		90.9p	(44.4p)	46.5p	76.6p	(12.2p)	64.4p

1 See note 2.2 for further details of adjustments

Consolidated Balance Sheet

At 30 September 2019

	Note	2019 £m	2018 £m
Assets			
Non-current assets			
Intangible assets	3.1	35.3	41.5
Property, plant and equipment	3.2	21.4	22.6
Deferred tax assets	2.6	12.5	8.2
		69.2	72.3
Current assets			
Inventories	4.1	20.7	23.0
Trade and other receivables	4.2	35.4	24.2
Cash and cash equivalents	4.3	48.4	46.6
		104.5	93.8
Liabilities			
Current liabilities			
Borrowings	5.1	0.1	0.1
Trade and other payables	4.4	31.1	34.5
Derivative financial instruments	5.4	1.3	0.4
Provisions for liabilities and charges	7.1	–	0.3
Current tax liabilities		4.1	6.1
		36.6	41.4
Net current assets		67.9	52.4
Non-current liabilities			
Deferred tax liabilities	2.6	5.4	6.9
Retirement benefit obligations	6.2	43.0	30.5
Provisions for liabilities and charges	7.1	2.3	2.5
		50.7	39.9
Net assets		86.4	84.8
Shareholders' equity			
Ordinary shares	5.5	31.0	31.0
Share premium account	5.5	34.7	34.7
Other reserves		9.8	8.0
Retained earnings		10.9	11.1
Total equity		86.4	84.8

These financial statements on pages 104 to 142 were approved by the Board of Directors on 13 November 2019 and signed on its behalf by:

Paul McDonald
Chief Executive Officer

Nick Keveth
Chief Financial Officer

Consolidated Cash Flow Statement

For the year ended 30 September 2019

	Note	2019 £m	2018 £m
Cash flows from operating activities			£m
Cash flows from continuing operating activities before the impact of exceptional items	4.3	25.1	38.2
Cash impact of exceptional items		(1.9)	(0.1)
Cash flows from continuing operations		23.2	38.1
Cash flows (used in) discontinued operations		–	(0.2)
Cash flows from operations	4.3	23.2	37.9
Interest income received		0.4	0.2
Finance costs paid		(0.2)	(0.2)
Retirement benefit deficit recovery contributions	6.2	(1.5)	(1.5)
Tax paid		(6.1)	(5.0)
Net cash flows from operating activities		15.8	31.4
Cash flows used in investing activities			
Proceeds from disposal of discontinued operations	7.2	–	6.5
Purchase of property, plant and equipment	3.2	(3.9)	(3.3)
Capitalised development costs and purchased software	3.1	(4.0)	(5.6)
Acquisition	7.2	–	(1.4)
Net cash used in investing activities		(7.9)	(3.8)
Cash flows used in financing activities			
Net movements in loans	5.3	–	(1.7)
Dividends paid to shareholders	5.6	(5.4)	(4.1)
Purchase of own shares	5.5	(1.3)	(1.1)
Net cash used in financing activities		(6.7)	(6.9)
Net increase in cash, cash equivalents and bank overdrafts		1.2	20.7
Cash, cash equivalents, and bank overdrafts at beginning of the year		46.6	26.5
Effects of exchange rate changes		0.6	(0.6)
Cash, cash equivalents, and bank overdrafts at end of the year	4.3	48.4	46.6

Consolidated Statement of Changes in Equity

For the year ended 30 September 2019

	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 30 September 2017		31.0	34.7	7.0	(17.1)	55.6
Profit for the year		–	–	–	21.4	21.4
Net exchange differences offset in reserves		–	–	1.3	–	1.3
Tax relating to exchange differences offset in reserves	2.6	–	–	(0.3)	–	(0.3)
Cash flow hedges	5.4	–	–	–	(0.6)	(0.6)
Actuarial gain recognised on retirement benefit scheme	6.2	–	–	–	13.7	13.7
Deferred tax relating to retirement benefit scheme	2.6	–	–	–	(2.3)	(2.3)
Total comprehensive income for the year		–	–	1.0	32.2	33.2
Dividends paid	5.6	–	–	–	(4.1)	(4.1)
Own shares acquired	5.5	–	–	–	(1.1)	(1.1)
Fair value of share-based payments	6.3	–	–	–	1.2	1.2
Deferred tax relating to employee share schemes	2.6	–	–	–	–	–
At 30 September 2018		31.0	34.7	8.0	11.1	84.8
Profit for the year		–	–	–	14.3	14.3
Net exchange differences offset in reserves		–	–	2.3	–	2.3
Tax relating to exchange differences offset in reserves	2.6	–	–	(0.5)	–	(0.5)
Cash flow hedges	5.4	–	–	–	(0.9)	(0.9)
Deferred tax relating to cash flow hedges	2.6	–	–	–	0.2	0.2
Actuarial loss recognised on retirement benefit scheme	6.2	–	–	–	(9.2)	(9.2)
Deferred tax relating to retirement benefit scheme	2.6	–	–	–	1.5	1.5
Total comprehensive income for the year		–	–	1.8	5.9	7.7
Dividends paid	5.6	–	–	–	(5.4)	(5.4)
Own shares acquired	5.5	–	–	–	(1.3)	(1.3)
Fair value of share-based payments	6.3	–	–	–	0.4	0.4
Deferred tax relating to employee share schemes	2.6	–	–	–	0.2	0.2
At 30 September 2019		31.0	34.7	9.8	10.9	86.4

Other reserves consist of the capital redemption reserve of £0.5m (2018: £0.5m) and the translation reserve of £9.3m (2018: £7.5m).

All movements in other reserves relate to the translation reserve.

Accounting Policies and Critical Accounting Judgements

For the year ended 30 September 2019

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

Avon Rubber p.l.c. is a public limited company incorporated and domiciled in England and Wales and its ordinary shares are traded on the London Stock Exchange.

These financial statements have been prepared in accordance with EU Endorsed International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee interpretations, and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on a going concern basis under the historical cost convention except for derivative instruments which are held at fair value through profit or loss.

These financial statements are presented in GBP with figures rounded to the nearest £0.1m.

Recent accounting developments

IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers both become applicable for the Group from 1 October 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 was adopted using the retrospective method. The application of IFRS 15 had no impact on revenue recognition within the consolidated financial statements. As such, no adjustments to equity have been made on adoption of IFRS 15.

The Group's accounting policy in relation to revenue recognition has been updated to reflect the new standard as outlined in the Revenue section below.

IFRS 9 Financial Instruments

IFRS 9 sets out new rules for valuing financial instruments and a new approach to hedge accounting aligned to an entity's risk management activities.

The application of IFRS 9 did not impact the classification, measurement or recognition of financial assets and financial liabilities within the consolidated financial statements.

The Group's hedging policy and documentation of hedging relationships has been updated to reflect the new standard. As a result the Group's forward exchange contracts continue to qualify as cash flow hedges upon adoption of IFRS 9 and therefore continue to be accounted for as such.

The Group's accounting policy in relation to Financial Instruments has been updated to reflect the new standard as outlined in the Financial Instruments section below.

Further details on the Group's transition to IFRS 9 can be found in Note 5.4.

At the balance sheet date there are a number of new standards, and amendments to existing standards in issue, but not yet effective. The Directors plan to adopt these standards in line with their effective dates.

IFRS 16 Leases – applicable from year ending 30 September 2020

IFRS 16 introduces the principle that all leased assets should be reported on the balance sheet of the lessee, recognising an asset for the right to use the leased item and a liability for the present value of its future lease payments.

The change in treatment will impact the balance sheet, the income statement and related performance measures and will be applicable from 1 October 2019.

As reported previously a number of leases currently in operation within the Group will fall under the scope of IFRS 16 with leasehold property being the most material.

The Group intends to apply the lease standard retrospectively allowing comparability with prior period reported numbers in the 2020 Annual Report. This transition choice results in a one off impact on opening reserves on adoption to reflect the retrospective impact of the existing leases.

See Note 7.6 for further details.

IFRIC 23 Accounting for uncertain tax positions – applicable from year ending 30 September 2020

IFRC 23 is a new interpretation applying to both current and deferred taxes.

Under the new regulation accounting for uncertain tax positions is only permitted where the likelihood of a tax treatment being challenged is greater than 50%, with new guidance around how a value should be assigned to the uncertainty.

This interpretation is not expected to have a significant impact on the level of provisions held in relation to uncertain tax positions.

Basis of consolidation

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

Subsidiaries are those entities over which the Group has power, exposure or rights to variable returns from its involvement with the entity and the ability to use its power to affect the amount of the Group's returns.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

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

Foreign currencies

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

- assets and liabilities are translated at the closing rate at the balance sheet date; and
- income and expenses are translated at the rate of exchange at the date of the transaction.

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

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

Foreign currency transactions are initially recorded at the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation 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 recognition

Revenue is measured at the fair value of the consideration which is expected to be received in exchange for goods and services provided, net of trade discounts and sales-related taxes.

Revenue is recognised when all of the following conditions are satisfied:

- A contract exists with a customer.
- The performance obligations within the contract have been identified.
- The transaction price has been determined.
- The transaction price has been allocated to the performance obligations within the contract.
- Revenue is recognised as or when a performance obligation is satisfied.

Sale of goods

Revenue from the sale of goods is recognised when control of the goods has transferred to the customer, usually being when the goods have been shipped to the customer in accordance with the contracted shipping terms.

The Group holds contracts which are accounted for in line with the sale of goods policy, but where the consideration for fulfilment of the performance obligation is variable as it is dependent on the level of allowable costs for the contract. The Directors make estimates as to the probable level of variable consideration earned, recognising revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Any amounts received in excess of this amount are deferred and treated as a contract liability until closure of the contract.

Provision of services

Revenue from a contract to provide services, including customer funded research and development and training, is recognised over time as those services are provided. Under IFRS 15 the Group recognises the amount of revenue from the services provided under a contract with reference to the costs incurred as a proportion of total expected costs.

Rental income

Revenue from rental income is recognised over the duration of the rental agreement.

Farm Services line of business revenue is allocated between sale of goods, provision of services (both accounted for under IFRS 15 as above), and rental income in respect of the provision of equipment on farms which is recognised in accordance with IAS 17 Leases (IFRS 16 Leases with effect from 1 October 2019). This does not impact the timing of revenue recognition or the valuation of rental lease income.

Segment reporting

Segments are identified based on how management monitors the business.

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. The segments reported for the years ended 30 September 2019 and 30 September 2018 are Avon Protection and milkrite | InterPuls.

The Group Executive team assesses the performance of the operating segments based on the measures of revenue, EBIT and EBITDA.

Exceptional items

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

Accounting Policies and Critical Accounting Judgements continued

For the year ended 30 September 2019

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. Costs associated with investment management are deducted from the return on plan assets. Other expenses are recognised in the income statement as incurred.

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

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

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

Intangible assets

Goodwill

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

Since the transition to IFRS, goodwill arising from acquisitions of subsidiaries after 3 October 1998 is included in intangible assets. It 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 U.K. GAAP, has not been reinstated and is not included in determining any subsequent profit or loss on disposal of the related entity.

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

Development expenditure

Expenditure in respect of the development of new products where the outcome is assessed as being reasonably certain as regards viability and technical feasibility is capitalised and amortised over the expected useful life of the development (between five and 15 years). Expenditure that does not meet these criteria is expensed as incurred. The capitalised costs are amortised over the estimated period of sale for each product, commencing in the year in which the product is available for sale. Development costs capitalised are tested for impairment whenever there is an indication that the asset may be impaired. Any impairment is recognised immediately in the consolidated statement of comprehensive income. Subsequent reversals of impairment losses for research and development are not recognised.

U.K. development costs have not been treated as a realised loss by the Directors as they relate to specific R&D projects from which the Group is expected to obtain significant economic benefit in the future.

Computer software

Computer software is included in intangible assets at cost and amortised over its estimated life of three to seven years.

Other intangible assets

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

The lives used are:

- Brands and trademarks – four– ten years
- Customer relationships – seven–ten years
- Order backlog – three months to one year

Amortisation is charged on a straight-line basis over the estimated useful lives of the assets through general and administrative expenses.

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 down the depreciable amount of relevant assets by equal annual instalments over their estimated useful lives.

In general, the lives used are:

- Freehold – 40 years
- Short leasehold property – over the period of the lease
- Plant and machinery
  - Computer hardware and motor vehicles – three years
  - Presses – 15 years
  - Other plant and machinery – five–ten years

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

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

Where fixed assets are financed by leasing agreements, which give rights approximating to ownership, the assets are treated as if they had been purchased and the capital element of the leasing commitments are shown as obligations under finance leases. Assets acquired under finance leases are initially recognised at the present value of the minimum lease payments. The rentals payable are apportioned between interest, which is charged to the consolidated statement of comprehensive income, and the liability, which reduces the outstanding obligation so as to give a constant rate of charge on the outstanding lease obligations.

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.

Financial instruments

Recognition and initial measurement

Trade receivables are initially recognised when they are originated and measured at the transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are initially recognised at fair value.

All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument and measured at fair value.

Classification and subsequent measurement

Trade and other receivables and Trade and other payables are classified as measured at amortised cost.

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets (as defined in IFRS 15).

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL, see Note 5.4 for more details.

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.

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

Derivative financial instruments and hedging

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. Any ineffective portion of the hedge is recognised immediately in the income statement. See Note 5.4 for more details.

Accounting Policies and Critical Accounting Judgements continued

For the year ended 30 September 2019

Financial instruments continued

Impairment

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. See Note 5.4 for details.

Provisions

Provisions are recognised when:

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

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

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

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

Borrowings

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

Taxation

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

Taxable profit differs from accounting profit because it excludes certain items of income and expense that are recognised in the financial statements but are treated differently for tax purposes. Current tax is the amount of tax expected to be payable or receivable on the taxable profit or loss for the current period. This amount is then amended for any adjustments in respect of prior periods.

Current tax is calculated using tax rates that have been written into law ('enacted') or irrevocably announced/committed by the respective Government ('substantively enacted') at the period-end date. Current tax receivable (assets) and payable (liabilities) are offset only when there is a legal right to settle them net and the entity intends to do so. This is generally true when the taxes are levied by the same tax authority.

Because of the differences between accounting and taxable profits and losses reported in each period, temporary differences arise on the amount certain assets and liabilities are carried at for accounting purposes and their respective tax values. Deferred tax is the amount of tax payable or recoverable on these temporary differences.

Deferred tax liabilities arise where the carrying amount of an asset is higher than the tax value (more tax deduction has been taken). This can happen where the Group invests in capital assets, as governments often encourage investment by allowing tax depreciation to be recognised faster than accounting depreciation. This reduces the tax value of the asset relative to its accounting carrying amount. Deferred tax liabilities are generally provided on all taxable temporary differences. The periods over which such temporary differences reverse will vary depending on the life of the related asset or liability.

Deferred tax assets arise where the carrying amount of an asset is lower than the tax value (less tax benefit has been taken). This can happen where the Group has trading losses, which cannot be offset in the current period but can be carried forward. Deferred tax assets are recognised only where the Group considers it probable that it will be able to use such losses by offsetting them against future taxable profits.

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.

Taxable temporary differences can also arise on investments in foreign subsidiaries and associates, and interests in joint ventures. Where the Group is able to control the reversal of these differences and it is probable that these will not reverse in the foreseeable future, then no deferred tax is provided. Deferred tax is calculated using the enacted or substantively enacted rates that are expected to apply when the asset is realised or the liability is settled. Similarly to current taxes, deferred tax assets and liabilities are offset only when there is a legal right to settle them net and the entity intends to do so. This normally requires both assets and liabilities to have arisen in the same country.

Income tax expense reported in the financial statements comprises current tax as well as the effects of changes in deferred tax assets and liabilities. Tax expense/credits are generally recognised in the same place as the items to which they relate. For example, the tax associated with a gain on disposal is recognised in the income statement, in line with the gain on disposal. Equally, the tax associated with pension obligation actuarial gains and losses is recognised in other comprehensive income, in line with the actuarial gains and losses.

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.

Significant accounting judgements and estimates

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

The key areas where assumptions and estimates are significant to the financial statements are disclosed below.

Judgements

Capitalisation of development costs

The Group capitalises the development of new products and processes as intangible assets or property, plant and equipment. Initial capitalisation and any subsequent impairment is based on the Group's judgement that technological and economic feasibility is demonstrated. In determining the amounts to be capitalised the Group makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. Economic feasibility is considered by the Group the more important judgement as to whether a project is progressed. If either technological or economic feasibility is not demonstrated then the capitalised costs will be written off to the income statement. See note 3.1.

Estimates

Carrying amount of development costs

The Group's principal assets are intangible assets, which are either the result of acquisitions, or have been capitalised through the internal development of new products. The estimate of the carrying value of intangible assets involves significant judgements and changes in the underlying assumptions could have a significant impact on the carrying value of these assets.

In determining whether development costs are impaired the Group makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

At the year end 26% of the development costs on the balance sheet relate to either technology that remains under development and subject to final feasibility tests or where the future cashflows are reliant on key customers. Consequently if final feasibility tests are unsuccessful or delayed such that the projected economic benefit will not be achieved in the assets' lifetime they may be impaired. Where reliant on key customers if those customers choose not to renew contracts, and there is no alternative use for the developed technology, then the associated assets would be impaired.

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

Estimating the defined benefits pension scheme obligations

Measurement of defined benefit pension obligations requires estimation of future changes in inflation and mortality rates, and the selection of a suitable discount rate (see note 6.2).

Taxation

The Group operates in a number of countries around the world. Uncertainties exist in relation to the interpretation of complex tax legislation, changes in tax laws and the amount and timing of future taxable income. In some jurisdictions agreeing tax liabilities with local tax authorities can take several years. This could necessitate future adjustments to taxable income and expense already recorded. At the year end date, tax liabilities and assets are based on management's judgements around the application of the tax regulations and management's estimate of the future amounts that will be settled.

At 30 September 2019 there is a provision of £2.9m in respect of uncertain tax positions. Due to the uncertainties noted above, there is a risk that the Group's judgements are challenged, resulting in a different tax payable or recoverable from the amounts provided.

Management estimates that the reasonably possible range of outcomes is between an additional liability of up to £0.5m and a reduction in liabilities of up to £2.9m.

Estimation of variable consideration

The estimation of variable consideration in relation to certain U.S. contracts in the Avon Protection business involves assumptions and judgements.

The Directors make estimates as to the probable level of variable consideration earned, recognising revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Any amounts received in excess of this amount are deferred and treated as a contract liability until closure of the contract, see Note 4.4.

At 30 September 2019 deferred income held in respect of the above contracts was £1.7m (2018: £1.5m). Management estimates that the uncertainty will be addressed within the next five years.

Due to the uncertainties noted above, there is a risk that the Directors estimate is wrong resulting in an adjustment to revenue recognised and to the deferred income. Management estimates that the reasonably possible range of outcomes is additional revenue of £1.7m.

Notes to the Group Financial Statements

For the year ended 30 September 2019

Section 2 – Results for the year

This section presents the results for the year using both IFRS and 'adjusted' measures and includes a reconciliation between the primary statements and the 'adjusted' performance measures. The 'adjusted' measures reflect how the Directors monitor the business and are intended to aid the comparison of business trends and performance.

Within this section you will find disclosures explaining the Group's results for the year, segmental information, earnings per share and taxation, as well as details of the 'adjustments' and discontinued operations.

Performance measures[1]

	Note	2019 £m	2018 £m
Earnings basic		14.3	19.8
Basic earnings per share (pence)	2.3	46.9	64.9
Diluted earnings per share (pence)	2.3	46.5	64.4
Operating profit	2.1	14.4	22.8
EBITDA[2]		31.0	33.9

Adjusted performance measures[1]

	Note	2019 £m	2018 £m
Adjusted earnings	2.2	28.0	23.5
Adjusted earnings per share (pence)	2.3	91.7	77.1
Adjusted Operating profit	2.1	31.3	27.3
Adjusted EBITDA[2]		39.5	35.3

1 All performance measures are stated based on continuing operations

2 Reconciled on Consolidated Statement of Comprehensive Income

2.1 Operating segments

The Group Executive team is responsible for allocating resources and assessing performance of the operating segments. Operating segments are therefore reported in a manner consistent with the internal reporting provided to the Group Executive team.

The Group has two clearly defined business segments, Avon Protection and milkrite | InterPuls, and operates primarily out of Europe and the U.S.

Business segments

Year ended 30 September 2019	Avon Protection £m	milkrite | InterPuls £m	Unallocated £m	Total £m
Revenue	128.4	50.9		179.3
Operating profit before depreciation, amortisation and adjustments	31.4	10.5	(2.4)	39.5
Depreciation of property, plant and equipment	(1.9)	(2.4)	–	(4.3)
Amortisation of development costs and software	(3.3)	(0.6)	–	(3.9)
Operating profit before adjustments	26.2	7.5	(2.4)	31.3
Amortisation of acquired intangibles	(0.9)	(2.6)	–	(3.5)
Exceptional impairment	(3.8)	(1.1)	–	(4.9)
Exceptional items	(4.5)	–	–	(4.5)
Defined benefit pension scheme costs	–	–	(4.0)	(4.0)
Operating profit	17.0	3.8	(6.4)	14.4
Finance income				0.4
Finance costs				(0.2)
Other finance expense				(0.9)
Profit before taxation				13.7
Taxation				0.6
Profit for the year				14.3
Segment assets	79.2	46.7	47.8	173.7
Segment liabilities	26.6	10.2	50.5	87.3
Other segment items				
Capital expenditure				
– Intangible assets	3.3	0.5	–	3.8
– Property, plant and equipment	2.2	1.7	–	3.9

The Avon Protection segment includes £54.8m (2018: £52.7m) of revenues from the U.S. DOD, the only customer which individually contributes more than 10% to Group revenues.

Notes to the Group Financial Statements continued

For the year ended 30 September 2019

Section 2 – Results for the year continued

Year ended 30 September 2018	Avon Protection £m	milkrite | InterPuls £m	Unallocated £m	Total £m
Revenue	115.7	49.8	–	165.5
Operating profit before depreciation, amortisation and adjustments	26.6	10.9	(2.2)	35.3
Depreciation of property, plant and equipment	(2.5)	(2.4)	–	(4.9)
Amortisation of development costs and software	(2.6)	(0.5)	–	(3.1)
Operating profit before adjustments	21.5	8.0	(2.2)	27.3
Amortisation of acquired intangibles	(1.1)	(2.0)	–	(3.1)
Exceptional items	(0.9)	–	–	(0.9)
Defined benefit pension scheme costs	–	–	(0.5)	(0.5)
Operating profit	19.5	6.0	(2.7)	22.8
Finance income				0.2
Finance costs				(0.2)
Other finance expense				(1.2)
Profit before taxation				21.6
Taxation				(1.8)
Profit for the year from continuing operations				19.8
Discontinued operations – profit for the year				1.6
Profit for the year				21.4

Segment assets	57.4	49.5	59.2	166.1
Segment liabilities	18.0	13.8	49.5	81.3
Other segment items				
Capital expenditure				
– Intangible assets	5.1	0.5	–	5.6
– Property, plant and equipment	1.7	1.8	–	3.5

Revenue analysed by geographic origin

Year ended 30 September 2019	Europe £m	U.S. £m	RoW £m	Total £m
Revenue	38.3	136.6	4.4	179.3

Year ended 30 September 2018	Europe £m	U.S. £m	RoW £m	Total £m
Revenue	41.2	120.4	3.9	165.5

Revenue by line of business and nature of performance obligation

Avon Protection	Year ended 30 September 2019 Military £m	Law Enforcement £m	Fire £m	Total £m	Year ended 30 September 2018 Military £m	Law Enforcement £m	Fire £m	Total £m
Sale of goods[1]	84.2	27.0	13.9	125.1	62.3	35.3	14.1	111.7
Provision of services[2]	3.0	0.3	–	3.3	3.8	0.1	0.1	4.0
	87.2	27.3	13.9	128.4	66.1	35.4	14.2	115.7

milkrite | InterPuls	Year ended 30 September 2019 Interface £m	PCI £m	Farm Services £m	Total £m	Year ended 30 September 2018 Interface £m	PCI £m	Farm Services £m	Total
Sale of goods[1]	36.9	8.7	1.7	47.3	35.6	9.0	1.7	46.3
Provision of services[2]	–	–	1.0	1.0	–	–	1.3	1.3
Rental Income[3]	–	–	2.6	2.6	–	–	2.2	2.2
	36.9	8.7	5.3	50.9	35.6	9.0	5.2	49.8

1 Products transferred to the customer and therefore revenue recognised at a point in time

2 Products and services transferred over time and therefore revenue recognised over that period of time

3 Rental income represents revenue from parts of the Farm Services line of business recognised in accordance with IAS 17 Leases (IFRS 16 Leases with effect from 1 October 2019)

2.2 Adjustments and discontinued operations

This document contains certain financial measures that are not defined or recognised under IFRS including adjusted operating profit, adjusted profit for the year and adjusted earnings per share. The Directors believe that adjusted measures provide a more useful comparison of business trends and performance. These adjusted measures exclude the effect of exceptional items, defined benefit scheme pension costs, the amortisation of acquired intangible assets and discontinued operations. The Group uses these measures for planning budgeting and reporting purposes and for its internal assessment of the operational performance of individual businesses within the Group. Given the term adjusted is not defined under IFRS , the adjusted measures may not be comparable with other similarly titled measures used by other companies.

The following table shows the adjustments made to arrive at adjusted operating profit and adjusted profit for the year.

	2019 £m	2018 £m
Operating profit	14.4	22.8
Amortisation of acquired intangible assets (note 3.1)	3.5	3.1
Defined benefit pension scheme administration costs	0.5	0.5
Exceptional items:		
Restructuring costs	–	0.9
Defined benefit scheme past service costs	3.5	–
Acquisition costs	2.9	–
Exit costs re: Fire SCBA market	5.4	–
Property impairment (note 3.2)	1.1	–
Adjusted operating profit	31.3	27.3

Notes to the Group Financial Statements continued

For the year ended 30 September 2019

Section 2 – Results for the year continued

2.2 Adjustments and discontinued operations continued

Adjustments	2019 £m	2018 £m
Profit for the year	14.3	21.4
Amortisation of acquired intangible assets (note 3.1)	3.5	3.1
Defined benefit pension scheme administration costs	0.5	0.5
Defined benefit pension net interest cost	0.8	1.1
Exceptional items:		
Restructuring costs	–	0.9
Defined benefit scheme past service costs	3.5	–
Acquisition costs	2.9	–
Exit costs re: Fire SCBA market	5.4	–
Property impairment (note 3.2)	1.1	–
Tax on exceptional items	(4.0)	(1.9)
(Profit)/loss from discontinued operations	–	(1.6)
Adjusted profit for the year	28.0	23.5

On October 26, 2018 the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit schemes. The judgement concluded that pension scheme benefits should be amended to equalise guaranteed minimum pension benefits for men and women ('GMP equalisation'). Our actuarial advisors have calculated the additional liability for this amendment at £2.9m and this has been included as an adjustment during the period along with a further £0.6m adjustment in relation to other past service costs of the defined benefit scheme.

The signing of an agreement to acquire 3M's ballistic protection business and the rights to the Ceradyne brand was announced on 6 August 2019 and is expected to close during FY20, see Note 7.2 for further details. £2.8m of acquisition related costs have been expensed during the period in relation to this agreement including legal, due diligence and tax advisory fees. A further £0.1m of costs have been expensed in relation to other acquisition opportunities that are no longer being pursued.

At the year end the decision was taken to move away from our participation in the Fire self contained breathing apparatus market, resulting in one off exit costs of £5.4m being recognised in the year. The exit costs include development cost impairment £3.8m, inventory write downs £1.4m and receivables write offs £0.2m.

The restructuring and alignment of the milkrite | InterPuls European distribution business during 2019 created a vacant property at our Italian operation. Changes in the local economy, as highlighted by a subsequent valuation of the site, mean that it was appropriate to write the carrying value of this property down by £1.1m.

The restructuring costs in 2018 represent the relocation of the West Palm Beach, Florida facility to our Cadillac, Michigan facility.

Defined benefit pension scheme costs relate to administrative expenses of the scheme which is closed to future accrual.

The impact on the cash flow statement of the exceptional items was £1.9m (2018: £0.1m).

Discontinued operations

In March 2018, the Group disposed of Avon Engineered Fabrications, Inc. its U.S. based hovercraft skirt and bulk liquid storage tank business. This non–core business was included in Avon Protection. The business has been classified as discontinued and prior periods have been restated to reflect this. The results of discontinued operations are as follows:

	2018 £m
Revenue	4.9
Total cost of sales, selling and distribution costs and general administrative expenses	(4.2)
Profit before taxation	0.7
Taxation	(0.2)
Profit for the period	0.5
Gain on disposal (note 7.2)	1.4
Tax on gain on disposal	(0.3)
Profit from discontinued operations	1.6
Basic earnings per share	5.2p
Diluted earnings per share	5.2p

Further details in relation to the discontinued operations can be found in note 7.2.

Cash flows from discontinued operations included in the cash flow statement are as follows:

	2018 £m
Net cash flows (used in) operating activities	(0.2)
Net cash flows from investing activities	6.5
Net cash flows from discontinued operations	6.3

2.3 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. Adjusted earnings per share removes the effect of the amortisation of acquired intangible assets, exceptional items, acquisition costs and defined benefit pension scheme costs, reflecting the basis on which the business is managed and measured on a day to day basis.

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

Weighted average number of shares	2019	2018
Weighted average number of ordinary shares in issue used in basic calculations (thousands)	30,516	30,511
Potentially dilutive shares (weighted average) (thousands)	260	218
Fully diluted number of ordinary shares (weighted average) (thousands)	30,776	30,729

Earnings	2019	2018
Basic	14.3	21.4
Basic – continuing operations	14.3	19.8
Adjusted	28.0	23.5
Adjusted – continuing operations	28.0	23.5

Earnings per share (pence)	2019	2018
Basic	46.9	70.1
Basic – continuing operations	46.9	64.9
Diluted	46.5	69.6
Diluted – continuing operations	46.5	64.4
Adjusted	91.7	77.1
Adjusted – continuing operations	91.7	77.1
Adjusted Diluted	90.9	76.6
Adjusted Diluted – continuing operations	90.9	76.6

Notes to the Group Financial Statements continued

For the year ended 30 September 2019

Section 2 – Results for the year continued

2.4 Expenses by nature

	2019 £m	2018 £m
Changes in inventories of finished goods and work in progress	(0.9)	(0.1)
Raw materials and consumables used	64.3	64.5
Employee benefit expense (note 6.1)	45.5	44.6
Depreciation and amortisation charges (notes 3.1 and 3.2)	11.7	11.1
Property impairment (note 3.2)	1.1	–
Development costs impairment (note 3.1)	3.8	–
Transportation expenses	2.7	2.5
Operating lease payments	1.7	1.7
Travelling costs	3.6	3.4
Legal and professional fees	3.1	2.1
Acquisition costs	2.9	–
Defined benefit scheme past service costs	3.5	–
Impairment of inventory and receivables re: exit Fire SCBA market	1.6	–
Other expenses	20.3	12.9
Total cost of sales, selling and distribution costs and general and administrative expenses	164.9	142.7

Other expenses include £2.0m (2018: £1.2m) of staff costs and overheads in relation to expensed research and development expenditure.

2.5 Profit before taxation

	2019 £m	2018 £m
Profit before taxation is shown after charging/(crediting):		
(Gain)/Loss on foreign exchange	0.6	(0.5)
Loss on disposal of property, plant and equipment	–	0.1
Depreciation of property, plant and equipment	4.3	4.9
Property impairment	1.1	–
Repairs and maintenance of property, plant and equipment	1.1	0.9
Amortisation of development expenditure and software	3.9	3.1
Amortisation of acquired intangibles	3.5	3.1
Impairment development costs	3.8	–
Research and development	0.1	0.2
Impairment/(Write back) of inventories	1.1	(0.1)
Impairment of trade receivables	0.1	0.2
Operating leases	1.7	1.7
Services provided to the Group (including its overseas subsidiaries) by the Company's auditors:		
Audit fees in respect of the audit of the accounts of the Parent Company and consolidation	0.1	0.1
Audit fees in respect of the audit of the accounts of subsidiaries of the Company	0.1	0.1
Total fees	0.2	0.2

2.6 Taxation

	2019 £m	2018 £m
U.K. current tax	0.4	1.1
U.K. adjustment in respect of previous periods	0.1	–
Overseas current tax	6.4	4.1
Overseas adjustment in respect of previous periods	(3.4)	(1.2)
Total current tax charge	3.5	4.0
Deferred tax – current year	(4.0)	(1.5)
Deferred tax – adjustment in respect of previous periods	(0.1)	(0.7)
Total deferred tax credit	(4.1)	(2.2)
Total tax (credit)/charge	(0.6)	1.8

The overseas adjustment in respect of the prior period of £3.4m includes a £3.1m credit in connection with the resolution of a number of prior year uncertain tax positions.

Notes to the Group Financial Statements continued

For the year ended 30 September 2019

Section 2 – Results for the year continued

2.6 Taxation continued

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

	2019 £m	2018 £m
Profit before taxation	13.7	21.6
Profit before taxation at the average standard rate of 19.0% (2018: 19.0%)	2.6	4.1
Tax allowances (U.K. and U.S.)	(0.4)	(0.5)
Non deductible expenses	0.2	–
Unrecognised tax losses	0.2	–
Changes in overseas tax rates	–	(0.9)
Differences in overseas tax rates	0.2	1.0
Adjustment in respect of previous periods	(3.4)	(1.9)
Tax (credit)/charge	(0.6)	1.8

The income tax charged directly to Other Comprehensive Income during the year was £0.3m (2018: £0.3m).

The deferred tax credited directly to Other Comprehensive Income during the year was £1.5m (2018: £2.3m charge).

The deferred tax credited directly to equity during the year was £0.2m (2018: nil).

Deferred tax liabilities

	Accelerated capital allowances £m	Other temporary differences £m	Total £m
At 1 October 2017	1.9	4.9	6.8
Charged against profit for the year	(0.6)	0.7	0.1
At 30 September 2018	1.3	5.6	6.9
Charged/(credited) to profit for the year	0.1	(1.8)	(1.7)
Charged to Other Comprehensive Income	–	0.2	0.2
At 30 September 2019	1.4	4.0	5.4

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.

Deferred tax assets

	Retirement benefit obligation £m	Share options £m	Accelerated capital allowances £m	Other temporary differences £m	Total £m
At 30 September 2017	7.5	0.4	0.3	–	8.2
Credited to profit for the year	–	0.2	–	2.1	2.3
(Charged) to Other Comprehensive Income	(2.3)	–	–	–	(2.3)
At 30 September 2018	5.2	0.6	0.3	2.1	8.2
Credited/(charged) against profit for the year	0.6	0.1	(0.2)	1.9	2.4
Credited to Other Comprehensive Income	1.5	–	–	0.2	1.7
Credited to equity	–	0.2	–	–	0.2
At 30 September 2019	7.3	0.9	0.1	4.2	12.5

The standard rate of corporation tax in the U.K. is 19%.

A number of changes to the U.K. corporation tax system were announced in the March 2016 Budget Statement which reduce the main rate of corporation tax to 17% by 1 April 2020. These changes were substantively enacted at the balance sheet date. The Group has no unrecognised deferred tax assets (2018: nil).

Section 3 – Non-current assets

The Group holds both Intangible and Tangible assets for long-term within the business. The following notes provide information regarding the carrying value of these assets, their expected useful economic lives and movements in these balances during the year.

3.1 Intangible assets

	Goodwill £m	Acquired intangibles £m	Development expenditure £m	Computer software £m	Total £m
At 1 October 2017					
Cost	3.2	27.5	30.9	4.8	66.4
Accumulated amortisation and impairment	–	(7.3)	(15.5)	(3.2)	(26.0)
Net book amount	3.2	20.2	15.4	1.6	40.4
Year ended 30 September 2018					
Opening net book amount	3.2	20.2	15.4	1.6	40.4
Exchange differences	0.1	0.1	0.3	0.1	0.6
Additions	–	–	5.5	0.1	5.6
Acquisitions (note 7.2)	–	1.2	–	–	1.2
Discontinued	–	–	–	(0.1)	(0.1)
Amortisation	–	(3.1)	(2.5)	(0.6)	(6.2)
Closing net book amount	3.3	18.4	18.7	1.1	41.5
At 30 September 2018					
Cost	3.3	29.1	34.5	4.9	71.8
Accumulated amortisation and impairment	–	(10.7)	(15.8)	(3.8)	(30.3)
Net book amount	3.3	18.4	18.7	1.1	41.5
Year ended 30 September 2019					
Opening net book amount	3.3	18.4	18.7	1.1	41.5
Exchange differences	–	–	1.0	0.2	1.2
Additions	–	–	3.7	0.1	3.8
Impairment	–	–	(3.8)	–	(3.8)
Amortisation	–	(3.5)	(3.3)	(0.6)	(7.4)
Closing net book amount	3.3	14.9	16.3	0.8	35.3
At 30 September 2019					
Cost	3.3	23.9	38.2	5.3	70.7
Accumulated amortisation and impairment	–	(9.0)	(21.9)	(4.5)	(35.4)
Net book amount	3.3	14.9	16.3	0.8	35.3

The remaining useful economic life of the development expenditure is between five and 12 years. During the year certain development costs were impaired following the decision to exit the Fire SCBA market, see Note 2.2.

Acquired intangibles include brands, customer relationships and other intangibles:

	At 1 October 2017 Net book amount £m	Exchange differences £m	Acquisitions £m	Amortisation £m	At 30 September 2018 Net book amount £m	Amortisation £m	At 30 September 2019 Net book amount £m
Brand	2.4	–	–	(0.3)	2.1	(0.4)	1.7
Customer relationships	12.5	0.1	1.2	(1.9)	11.9	(2.3)	9.6
Other intangibles	5.3	–	–	(0.9)	4.4	(0.8)	3.6
	20.2	0.1	1.2	(3.1)	18.4	(3.5)	14.9

Notes to the Group Financial Statements continued

For the year ended 30 September 2019

Section 3 – Non-current assets continued

3.1 Intangible assets continued

Goodwill acquired in a business combination is allocated to the groups of cash generating units (CGUs) that are expected to benefit from that business combination. Goodwill of £1.9m (2018: £1.8m) is allocated to the Protection division and £1.4m (2018: £1.5m) is allocated to the Dairy division.

The Group tests goodwill and intangibles annually for impairment, or more frequently if there are indications that goodwill might be impaired. Goodwill values are compared against the value in use of the relevant CGU groups. The value in use calculations were based on projected cash flows for 2020 to 2022 derived from the latest three year plan approved by the Board. Cash flows for 2023 onwards for both divisions were projected to grow by 2.0% per annum. Cash flows were discounted to give a present value using a pre–tax discount rate of 8.6% (2018: 9.3%).

Sensitivity analysis suggests that a decrease in forecast revenue of more than 60% (2018: 70%) in relation to Avon Protection and 53% (2018: 50%) in relation to milkrite | InterPuls could be sustained before an impairment was required.

Management considers that there are no reasonably likely changes to the above key assumptions which would lead to an impairment being recognised.

3.2 Property, Plant and Equipment

	Freeholds £m	Plant and machinery £m	Total £m
At 1 October 2017			
Cost	14.6	66.2	80.8
Accumulated depreciation and impairment	(3.1)	(51.4)	(54.5)
Net book amount	11.5	14.8	26.3
Year ended 30 September 2018			
Opening net book amount	11.5	14.8	26.3
Exchange differences	(0.1)	(0.1)	(0.2)
Additions	0.1	3.4	3.5
Acquisitions (note 7.2)	–	0.4	0.4
Discontinued	(2.1)	(0.3)	(2.4)
Disposals	–	(0.1)	(0.1)
Depreciation charge	–	(4.9)	(4.9)
Closing net book amount	9.4	13.2	22.6
At 30 September 2018			
Cost	12.4	66.7	79.1
Accumulated depreciation and impairment	(3.0)	(53.5)	(56.5)
Net book amount	9.4	13.2	22.6
Year ended 30 September 2019			
Opening net book amount	9.4	13.2	22.6
Exchange differences	(0.1)	0.5	0.4
Additions	–	3.9	3.9
Impairment	(1.1)	–	(1.1)
Disposals	–	(0.1)	(0.1)
Depreciation charge	–	(4.3)	(4.3)
Closing net book amount	8.2	13.2[1]	21.4
At 30 September 2019			
Cost	12.6	71.3	83.9
Accumulated depreciation and impairment	(4.4)	(58.1)	(62.5)
Net book amount	8.2	13.2[1]	21.4

1 Plant and machinery includes £1.1m in relation to a production line under construction at the year end

Section 4 – Working capital

This section presents disclosures around the Groups working capital balances; Inventories, Trade receivables, Payables and Cash. You will also find information regarding cash generated from operating activity. The Group has a strong cash position but careful management of working capital remains a key focus of the business.

4.1 Inventories

	2019 £m	2018 £m
Raw materials	13.0	15.3
Work in progress	0.5	0.4
Finished goods	7.2	7.3
	20.7	23.0

Provisions for inventory write downs were £4.9m (2018: £3.6m).

The cost of inventories recognised as an expense and included in cost of sales amounted to £64.3m (2018: £64.5m). The amount of inventory carried as fair value less costs to sell is nil (2018: nil).

4.2 Trade and other receivables

	2019 £m	2018 £m
Trade receivables	32.5	21.2
Less: provision for impairment of receivables	(0.6)	(0.5)
Trade receivables – net	31.9	20.7
Prepayments	1.7	1.1
Other receivables	1.8	2.4
	35.4	24.2

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

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

	2019 £m	2018 £m
At 1 October	0.5	0.3
Provision for impairment of receivables	0.1	0.2
At 30 September	0.6	0.5

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

4.3 Cash and cash equivalents

	2019 £m	2018 £m
Cash at bank and in hand	48.4	46.6

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

Notes to the Group Financial Statements continued

For the year ended 30 September 2019

Section 4 – Working capital continued

4.3 Cash and cash equivalents continued

The Group generates cash from its operating activities as follows:

	2019 £m	2018 £m
Continuing operations		
Profit for the year	14.3	19.8
Adjustments for:		
Taxation	(0.6)	1.8
Depreciation	4.3	4.9
Property impairment	1.1	–
Amortisation of intangible assets	7.4	6.2
Impairment of development costs	3.8	–
Defined benefit pension scheme cost	4.0	0.5
Finance income	(0.4)	(0.2)
Finance costs	0.2	0.2
Other finance expense	0.9	1.2
Loss on disposal of property, plant and equipment	–	0.1
Fair value of share-based payments	0.4	1.2
Impairment of inventory and receivables re: exit Fire SCBA market	1.6	–
(Increase)/decrease in inventories	0.7	(2.1)
(Increase)/decrease in receivables	(9.9)	(1.8)
(Decrease)/increase in payables and provisions	(4.6)	6.3
Cash flows from continuing operations	23.2	38.1
Analysed as:		
Cash flows from continuing operations prior to the effect of exceptional operating items	25.1	38.2
Cash effect of exceptional operating items	(1.9)	(0.1)
Discontinued operations		
Profit for the year	–	1.6
Gain on disposal and net effect of operating activities	–	(1.8)
Cash flows (used in) discontinued operations	–	(0.2)
Cash flows from operations	23.2	37.9

4.4 Trade and other payables

	2019 £m	2018 £m
Trade payables	10.8	13.2
Contract liabilities	3.7	3.0
Other taxation and social security	0.5	0.3
Other payables	0.6	1.2
Accruals	15.5	16.8
	31.1	34.5

Contract liabilities represents amount invoiced under contracts with customers but not recognised as revenue at the balance sheet date and cash received in advance. £1.2m of the balance in contract liabilities at the start of the year is recognised in revenue in the current year.

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

Section 5 – Funding

The Group has maintained a strong balance sheet in order to fund its growth strategy and make further acquisitions. Additional funding is available via undrawn committed facilities.

Forward exchange contracts are used to hedge material foreign risk arising on sales and purchases denominated in a currency other than sterling.

The following section provides disclosures about the Group's funding position, including borrowings, hedging instruments, its exposure to market risks and its capital management policies.

5.1 Borrowings

	2019 £m	2018 £m
Current		
Bank loans	0.1	0.1

The Group has the following undrawn committed facilities:

	2019 £m	2018 £m
Expiring beyond one year	69.0	30.7
Total undrawn committed borrowing facilities	69.0	30.7
Bank loans and overdrafts utilised	0.1	0.1
Utilised in respect of guarantees	0.3	0.3
Total Group facilities	69.4	31.1

All facilities are at floating interest rates.

During the year the Group extended its $40m revolving credit facility with Barclays Bank and Comerica Bank to $85m with an expiry date of 28 June 2022 and an option to extend for a further year. This facility is priced on the dollar LIBOR plus margin of 1–1.75% depending on leverage and includes financial covenants which are measured on a quarterly basis. The Group was in compliance with its financial covenants during 2019 and 2018.

During 2018 InterPuls S.p.A. renewed its loan facility which now expires on 31 October 2019. This facility is priced on Euribor plus margin of 1.15%.

The Group has provided the lenders with a negative pledge in respect of certain shares in Group companies.

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

	2019			2018		
	Sterling %	Dollar %	Euro %	Sterling %	Dollar %	Euro %
Bank loans	–	–	0.8	–	–	0.8
Finance lease liabilities	–	–	–	–	–	–

5.2 Net finance costs

	2019 £m	2018 £m
Interest payable on bank loans and overdrafts	(0.2)	(0.2)
Interest income	0.4	0.2
	0.2	–

Notes to the Group Financial Statements continued

For the year ended 30 September 2019

Section 5 – Funding continued

5.2 Net finance costs continued

Other finance expense

	2019 £m	2018 £m
Net interest cost: U.K. defined benefit pension scheme (note 6.2)	(0.8)	(1.1)
Amortisation of finance fees	(0.1)	(0.1)
	(0.9)	(1.2)

5.3 Analysis of net cash/debt

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

	At 1 October 2018 £m	Cash flow £m	Exchange movements £m	At 30 September 2019 £m
Cash at bank and in hand	46.6	1.2	0.6	48.4
Debt due in less than one year	(0.1)	–	–	(0.1)
	46.5	1.2	0.6	48.3

	At 1 October 2017 £m	Cash flow £m	Exchange movements £m	At 30 September 2018 £m
Cash at bank and in hand	26.5	20.7	(0.6)	46.6
Debt due in less than one year	(1.8)	1.7	–	(0.1)
	24.7	22.4	(0.6)	46.5

5.4 Financial instruments

Financial instruments by category

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

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

Financial risk and treasury policies

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

(i) Credit risk

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

The U.S. 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 U.S. Government noted above.

Where possible, letters of credit or payments in advance are received for significant export sales.

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets (as defined in IFRS 15).

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

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	**2019 £m**	**2018 £m**
Trade receivables	31.9	20.7
Other receivables	1.8	2.4
Cash and cash equivalents	48.4	46.6
	82.1	69.7

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

Carrying amount of financial assets	**2019 £m**	**2018 £m**
Sterling	43.4	38.2
U.S. dollar	32.0	26.3
Euro	5.3	3.0
Other currencies	1.4	2.2
	82.1	69.7

Provisions against trade receivables

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

	Gross 2019 £m	**Provision 2019 £m**	**Net 2019 £m**	**Gross 2018 £m**	**Provision 2018 £m**	**Net 2018 £m**
Not past due	27.6	–	27.6	18.1	–	18.1
Past due 0–30 days	2.8	–	2.8	2.3	–	2.3
Past due 31–60 days	1.1	(0.1)	1.0	0.2	–	0.2
Past due 61–90 days	0.3	(0.2)	0.1	0.3	(0.3)	–
Past due more than 91 days	0.7	(0.3)	0.4	0.3	(0.2)	0.1
	32.5	(0.6)	31.9	21.2	(0.5)	20.7

The total past due receivables, net of provisions is £4.3m (2018: £2.6m).

The individually impaired receivables mainly relate to a number of independent customers. Provisions for impairment are based on expected credit losses and are estimated based on knowledge of customers and historic experience of losses. A portion of these receivables is expected to be recovered.

Notes to the Group Financial Statements continued

For the year ended 30 September 2019

Section 5 – Funding continued

5.4 Financial instruments continued

(ii) Liquidity risk

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

The Group uses weekly cash flow forecasts to monitor cash requirements and to optimise its borrowing position. Typically the Group ensures that it has sufficient borrowing facilities to meet foreseeable operational expenses and at the year end had net cash of £48.3m (2018: £46.5m) and undrawn facilities of £69.0m (2018: £30.7m).

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

Analysis of contractual cash flow maturities	Carrying amount £m	Contractual cash flows £m	Less than 12 months £m
30 September 2019			
Bank loans and overdrafts	0.1	0.1	0.1
Trade and other payables	30.6	30.6	30.6
Forward exchange contracts used for hedging[1]			
– Outflow	1.3	42.9	42.9
– Inflow		(41.6)	(41.6)
	32.0	32.0	32.0

Analysis of contractual cash flow maturities	Carrying amount £m	Contractual cash flows £m	Less than 12 months £m
30 September 2018			
Bank loans and overdrafts	0.1	0.1	0.1
Trade and other payables	34.2	34.2	34.2
Forward exchange contracts used for hedging[1]			
– Outflow	0.4	11.1	11.1
– Inflow		(10.7)	(10.7)
	34.7	34.7	34.7

1 Presented as Derivative Financial Instruments within Current Liabilities

(iii) Market risks

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

(a) Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than sterling. The currencies giving rise to this risk are primarily the U.S. dollar and related currencies and the euro. The Group looks to hedge material forecast U.S. dollar or euro foreign currency transactional exposures using forward exchange contracts in line with the Group hedging policy.

The Group has designated 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.

At 30 September 2019 and 2018 the Group held the following instruments to hedge exposures to changes in foreign currency rates:

	Maturity			
Forward exchange contracts	1–6 months 2019 £m	6–12 months 2019 £m	1–6 months 2018 £m	6–12 months 2018 £m
Net exposure (£m)	0.3	0.1	0.3	0.1
Average GBP:USD forward contract rate	1.323	1.337	1.335	1.363
Average GBP:EUR forward contract rate	1.157	1.145	1.118	1.104

In these hedge relationships the main sources of ineffectiveness are changes in the timing of the hedged transactions, variances between forecast and actual hedged transactions and the effect of the counterparties' and the Group's own credit risk on the fair value of the forward exchange contracts, which is not reflected in the change in the fair value of the hedged cashflows attributable to the change in exchange rates.

All hedging relationships designated under IAS 39 at 30 September 2018 met the criteria for hedge accounting under IFRS 9 at 1 October 2018 and are therefore regarded as continuous hedging relationships.

There is an economic relationship between the value of the currency denominated assets and liabilities and the fair value of the forward exchange contracts, i.e. the fair value of the forward contracts, move in the opposite direction to the value of the hedged items because of the same risk which is the hedged risk.

All forward exchange contracts in place at 30 September 2019 mature within one year.

Deal contingent forward

An agreement to acquire 3M's ballistic protection business and the rights to the Ceradyne brand was announced on 6 August 2019.

The acquisition will be funded in USD from a combination of available cash and borrowings and is expected to complete during the first half of FY20.

On signing the agreement the Group entered into a deal contingent forward to hedge the foreign exchange risk on the USD equivalent of the cash funded element of the purchase price.

The contract, which will only crystallise if the deal completes within a specified time frame, has been designated as a cash flow hedge in line with the Group's hedging policy.

There is an economic relationship between the value of the USD purchase price and the fair value of the DCF.

The ultimate effectiveness of the hedge will be determined by the completion of the acquisition within the expected time frame.

As at the balance sheet date the expected purchase is deemed to be highly probable and therefore fair value movements to date have been treated as an effective cash flow hedge and recognised through the consolidated statement of comprehensive income. The fair value of the DCF at 30 September 2019 was £0.9m liability (2018: £nil) and the average GBP:USD rate applicable under the contract 1.210.

Notes to the Group Financial Statements continued

For the year ended 30 September 2019

Section 5 – Funding continued

5.4 Financial instruments continued

The amounts at the reporting date relating to items designated as hedged items were as follows:

	Change in value used for calculating hedge ineffectiveness 2019 £m	Cash flow hedge reserve 2019 £m	Change in value used for calculating hedge ineffectiveness 2018 £m	Cash flow hedge reserve 2018 £m
Working capital cashflows	0.4	0.4	0.4	0.4
Purchase of assets under APA	0.9	0.9	–	–

There are no balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applicable.

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cashflow hedge accounting.

Hedging reserve	2019 £m	2018 £m
Balance at 1 October	(0.4)	0.2
Cash flow hedges:		
Changes in fair value relating to foreign currency risk	(1.3)	(0.4)
Amount reclassified to profit or loss relating to foreign currency risk	0.4	(0.2)
Tax on movements on reserves during the year	0.2	–
Balance at 30 September	(1.1)	(0.4)

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.

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 U.S. dollar against sterling would have had a £1.2m (2018: £0.8m) impact on the Group's current year profit before interest and tax, a £0.9m (2018: £0.7m) impact on the Group's profit after tax and a £1.6m (2018: £1.5m) impact on shareholders' funds. The method of estimation, which has been applied consistently, involves assessing the translation impact of the U.S. dollar.

A general change of 5 cents in the value of the euro against sterling would have had an £0.1m (2018: £0.1m) impact on the Group's current year profit before interest and tax, a £0.1m (2018: £0.1m) impact on the Group's profit after tax and a £1.0m (2018: £1.0m) impact on shareholders' funds. The method of estimation which has been applied consistently, involves assessing the translation impact of the euro.

The following significant exchange rates applied during the year:

	Average rate 2019	Closing rate 2019	Average rate 2018	Closing rate 2018
U.S. dollar	1.276	1.232	1.346	1.305
Euro	1.131	1.126	1.132	1.127

(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 but with net cash of £48.3m (2018: £46.5m) a 1% increase in interest rates would have no impact on interest costs (2018: nil).

The floating rate financial liabilities comprised 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.

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

	2019 £m	2018 £m
Total borrowings	(0.1)	(0.1)
Cash and cash equivalents	48.4	46.6
Group net cash/(debt)	48.3	46.5
Market capitalisation of the Group at 30 September	515.6	400.2
Gearing ratio	n/a	n/a

(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 2019 £m	Fair value 2019 £m	Carrying amount 2018 £m	Fair value 2018 £m
Trade receivables	31.9	31.9	20.7	20.7
Other receivables	1.8	1.8	2.4	2.4
Cash and cash equivalents	48.4	48.4	46.6	46.6
Forward exchange contracts	(1.3)	(1.3)	(0.4)	(0.4)
Bank loans, overdrafts and finance leases	(0.1)	(0.1)	(0.1)	(0.1)
Trade and other payables	(30.6)	(30.6)	(34.2)	(34.2)
	50.1	50.1	35.0	35.0

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.

Notes to the Group Financial Statements continued

For the year ended 30 September 2019

Section 5 – Funding continued

5.5 Equity

Share capital

	No. of shares 2019	Ordinary shares 2019 £m	Share premium 2019 £m	No. of shares 2018	Ordinary shares 2018 £m	Share premium 2018 £m
Called up allotted and fully paid ordinary shares of £1 each						
At the beginning of the year	31,023,292	31.0	34.7	31,023,292	31.0	34.7
At the end of the year	31,023,292	31.0	34.7	31,023,292	31.0	34.7

Details of outstanding share options and movements in share options during the year are given in the Remuneration Report on pages 73 to 89.

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

Own shares held

	2019 No. of shares m	2018 No. of shares m
Balance at 1 October	0.5	0.6
Acquired in the period	0.1	0.1
Disposed of on exercise of options	(0.1)	(0.2)
At 30 September	0.5	0.5

At 30 September 2019 506,274 (2018: 499,264) ordinary shares were held by a trust in respect of obligations under 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 2019 was £8.4m (2018: £6.4m). These shares are held at cost as treasury shares and deducted from shareholders' equity.

During 2019 the trust acquired 100,000 (2018: 100,000) shares at a cost of £1.3m (2018: £1.1m).

92,990 (2018: 154,641) shares were used to satisfy awards following the vesting of shares relating to the 2010 Performance Share Plan.

3,364 (2018: 3,031) ordinary shares of £1 each were awarded in relation to the annual incentive plan.

5.6 Dividends

On 1 February 2019, the shareholders approved a final dividend of 10.68p per qualifying ordinary share in respect of the year ended 30 September 2018. This was paid on 15 March 2019 utilising £3.3m of shareholders' funds (2018: £2.5m).

The Board of Directors declared an interim dividend of 6.94p (2018: 5.34p) per qualifying ordinary share in respect of the year ended 30 September 2019. This was paid on 6 September 2019 utilising £2.1m (2018: £1.6m) of shareholders' funds.

After the balance sheet date the Board of Directors proposed a final dividend of 13.89p per qualifying ordinary share in respect of the year ended 30 September 2019, which will absorb an estimated £4.2m of shareholder's funds. Subject to shareholder approval the dividend will be paid on 13 March 2020 to shareholders on the register at the close of business on 14 February 2020. In accordance with accounting standards the dividend has not been provided for and there are no corporation tax consequences.

Section 6 – Key management & employee benefits

Recruiting and retaining the right people is key to the success of the business. The remuneration policies in place are aimed at ensuring this is possible and to celebrate and reward the contribution that the Group's employees make to the performance of the Group.

The following pages include disclosures on wages and salaries and share option schemes which allow employees of the Group to take an equity interest in the Group.

This section also includes full disclosures in relation to both the U.K. defined benefit scheme which was closed to future accrual of benefit in 2009, and the contributions made to current defined contribution schemes.

6.1 Employees

The total remuneration and associated costs during the year were:

	2019 £m	2018 £m
Wages and salaries	37.2	36.5
Social security costs	3.8	3.6
Other pension costs	1.1	1.0
U.S. healthcare costs	3.0	2.3
Share-based payments (note 6.3)	0.4	1.2
	45.5	44.6

Detailed disclosures of Directors' remuneration and share options, including disclosure of the highest paid Director, are given on pages 73 to 89.

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

	2019 Number	2018 Number
By business segment		
Avon Protection	554	493
milkrite | InterPuls	271	272
Other	29	16
	854	781

At the end of the financial year the total number of employees in the Group was 822 (2018: 784).

Key management compensation

	2019 £m	2018 £m
Salaries and other employee benefits	2.4	1.9
Post employment benefits	0.1	0.1
Share-based payments	0.3	0.5
	2.8	2.5

The key management compensation above includes the Directors plus seven (2018: six) others who were members of the Group Executive during the year.

Notes to the Group Financial Statements continued

For the year ended 30 September 2019

Section 6 – Key management & employee benefits continued

6.2 Pensions and other retirement benefits

Retirement benefit assets and liabilities can be analysed as follows:

	2019 £m	2018 £m
Net pension liability	43.0	30.5

Defined benefit pension scheme

Full disclosures are provided in respect of the U.K. 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 U.K. employed prior to 31 January 2003. The plan was closed to future accrual of benefit on 1 October 2009 and has a weighted average maturity of approximately 14 years. The assets of the plan are held in separate trustee administered funds and are invested by professional investment managers. The Trustee is Avon Rubber Pension Trust Limited, the Directors of which are members of the plan. Three of the Directors are appointed by the Company and two are elected by the members.

The funding of the plan is based on regular actuarial valuations. The most recent finalised actuarial valuation of the plan was carried out at 31 March 2016 when the market value of the plan's assets was £298.6m. The fair value of those assets represented 90% of the value of the benefits which had accrued to members, after allowing for future increase in pensions.

During the year an assessment of the impact of GMP equalisation was undertaken and an additional past service cost of £2.9m was recognised in the income statement. The key assumptions in the GMP equalisation calculation are the inflation assumption applied and the benefit structure (split between males and females). Any impact on future funding arrangements will be considered in line with the 2019 triennial valuation.

During the year the Group made payments to the fund of £1.5m (2018: £1.5m) in respect of scheme expenses and deficit recovery plan payments. A revised deficit recovery plan is in the process of being agreed in line with the updated 31 March 2019 triennial valuation. This plan will define the payments the Group will make in 2020 in respect of deficity recovery plan and scheme expenses and is expected to be finalised during the first half of FY20.

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

The Directors have confirmed no additional liability is required to be recognised as a consequence of minimum funding requirements.

The trustees have no rights to wind up the scheme or improve benefits without Company consent.

An updated actuarial valuation for IAS 19 (revised) purposes was carried out by an independent actuary at 30 September 2019 using the projected unit method.

Movement in net defined benefit liability

	Defined benefit obligation		Defined benefit asset		Net defined benefit liability	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
At 1 October	(346.9)	(368.4)	316.4	324.3	(30.5)	(44.1)
Included in profit or loss						
Administrative expenses	(0.5)	(0.5)	–	–	(0.5)	(0.5)
Past service cost	(3.5)	–	–		(3.5)	–
Net interest cost	(9.4)	(9.2)	8.6	8.1	(0.8)	(1.1)
	(13.4)	(9.7)	8.6	8.1	(4.8)	(1.6)
Included in other comprehensive income						
Remeasurement (loss)/gain:						
– Actuarial (loss)/gain arising from:						
– Demographic assumptions	7.0	2.2	–	–	7.0	2.2
– Financial assumptions	(52.7)	9.1	–	–	(52.7)	9.1
– Experience adjustment	(3.2)	0.8	–	–	(3.2)	0.8
– Return on plan assets excluding interest income	–	–	39.7	1.6	39.7	1.6
	(48.9)	12.1	39.7	1.6	(9.2)	13.7
Other						
Contributions by the employer	–	–	1.5	1.5	1.5	1.5
Net benefits paid out	17.1	19.1	(17.1)	(19.1)	–	–
At 30 September	(392.1)	(346.9)	349.1	316.4	(43.0)	(30.5)

Plan assets

	2019 £m	2018 £m
Equities and other securities	182.2	184.7
Liability Driven Investment	132.8	88.0
Corporate bonds	–	28.8
Cash	34.1	14.9
Total fair value of assets	349.1	316.4

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

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

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

Notes to the Group Financial Statements continued

For the year ended 30 September 2019

Section 6 – Key management & employee benefits continued

6.2 Pensions and other retirement benefits continued

Actuarial assumptions

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

	2019 % p.a.	2018 % p.a.
Inflation (RPI)	3.20	3.20
Inflation (CPI)	2.20	2.20
Pension increases post August 2005	2.20	2.20
Pension increases pre August 2005	3.10	3.10
Discount rate for scheme liabilities	1.75	2.80

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:

	2019	2018
Male	21.6	22.1
Female	23.5	24.0

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

	2019	2018
Male	23.3	23.8
Female	25.4	25.8

Sensitivity analysis

	Defined benefit obligation Increase/(decrease) £m
Inflation (RPI) (0.25% increase)	7.8
Discount rate for scheme liabilities (0.25% increase)	(13.7)
Future mortality (one year increase)	16.5

The above sensitivity analysis shows the impact on the defined benefit obligation only, not the net pension liability as it does not take into account any impact on the asset valuation.

Each sensitivity analysis disclosed in this note is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur.

Defined contribution pension scheme

The charge in respect of defined contribution pension schemes was £1.1m (2018: £1.0m).

6.3 Share-based payments

The Group operates an equity-settled share-based performance share plan (PSP). Details of the Plan, awards granted and options outstanding are set out in the Remuneration Report on pages 73 to 89 and are incorporated by reference into these financial statements. An expense of £0.4m (2018: £1.2m) was recognised in the year.

The table below summarises the movements in the number of share options outstanding for the Group:

	Number of options (thousands) 2019	Number of options (thousands) 2018
Outstanding at 1 October	427	413
Forfeited during the year	(20)	(5)
Exercised during the year	(93)	(155)
Granted during the year	177	174
Outstanding at 30 September	491	427

A Monte Carlo simulation was used to calculate the fair value of awards granted that are subject to a Total Shareholder Return performance condition. The fair value of other awards was calculated as the market price of the shares at the date of grant reduced by the present value of the dividends expected to be paid over the vesting period. The principal assumptions used were:

	2019	2018
Weighted average fair value (£)	9.48	8.62
Key assumptions used:		
Closing share price at date of grant (£) (2018: Weighted average share price)	12.50	11.94
Expected volatility (%)	24	29
Risk-free interest rate (%)	0.7	0.5
Expected option term (yrs.)	2.7	3.0
Dividend yield (%)	–	1.0

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

Section 7 – Other

7.1 Provisions for liabilities and charges

	Property obligations £m
Balance at 30 September 2017	2.0
Reclassification from other payables	1.5
Provision utilised	(0.4)
Payments in the year	(0.3)
Balance at 30 September 2018	2.8
Provision reversed during the year	(0.4)
Payments in the year	(0.1)
Balance at 30 September 2019	2.3

Prior year movements include the reclassification of property provisions previously held within Other Payables.

Analysis of total provisions	2019 £m	2018 £m
Non–current	2.3	2.5
Current	–	0.3
	2.3	2.8

Notes to the Group Financial Statements continued

For the year ended 30 September 2019

Section 7 – Other continued

7.1 Provisions for liabilities and charges continued

Property obligations previously included an onerous lease provision of £0.9m in respect of unutilised space at the Group's leased Melksham facility in the U.K., £0.1m of this provision was utilised in 2019 with the remaining £0.8m being released as a result of the this facility now being fully utilised. Other property obligations relate to leased premises of the Group which are subject to dilapidation risks and are expected to be utilised within the next ten years. Such provisions were increased by £0.4m during the year. Property provisions are subject to uncertainty in respect of the utilisation, non-utilisation, subletting of surplus leasehold property and any final negotiated settlement of any dilapidation claims with landlords.

7.2 Acquisitions & disposals

Acquisition – 3M's ballistic protection business

The signing of an agreement to acquire 3M's ballistic protection business and the rights to the Ceradyne brand was announced on 6 August 2019. The acquisition is subject to U.S. regulatory approvals and is expected to close during the first half of 2020. The results of the Ceradyne business are not consolidated within the 2019 financial statements as the purchase agreement does not transfer control to the Group and therefore this announcement has a limited impact on the 2019 financial statements. However the following transactions have been included and reported within these financial statements:

Acquisition costs

The acquisition related costs are expensed in the periods in which the services are received, in line with recognised accounting practices. £2.8m of such costs, including legal, due diligence and tax advisory fees, have been recognised during the year. These acquisition costs are presented as an exceptional item and excluded from adjusted profit measures.

Deal contingent forward

On signing the acquisition agreement the Company entered a deal contingent forward contract to hedge the foreign exchange risk on the U.S. dollar equivalent of the £35m cash funded element of the purchase price. The forward contract will only crystallise if the deal completes within a specified timeframe, three to twelve months from exchange. As a result, the fair value movements due to changes in the currency exchange rates to the balance sheet date of £0.9m, are held on the balance sheet as a liability at year end rather than impacting the income statement.

Disposal – Avon Engineered Fabrications

In March 2018, the Group disposed of Avon Engineered Fabrications, Inc. Further details are given in Note 2.2.

	£m
Total consideration received	7.1
Net assets disposed	(5.1)
Disposal cost	(0.6)
Gain on disposal	1.4

Assets and liabilities at the date of disposal were:

	£m
Intangible assets	0.1
Property, plant and equipment	2.4
Inventories	1.2
Receivables	2.0
Payables	(0.6)
Total net assets disposed	5.1

Acquisition – Merricks Inc. calf nurser product line

In June 2018, the Group acquired the Merrick's Inc Calf Nurser product line. The consideration was $1.8m in cash and associated costs of acquisition were $0.3m, giving a total cost of acquisition of $2.1m. The acquisition involved the purchase of both tangible assets – tooling equipment, and intangible assets comprising customer lists, order book and the Merrick's brand.

	£m
Intangible assets	1.2
Tangible assets	0.4
Total net assets acquired	1.6

7.3 Other financial commitments

	2019 £m	2018 £m
Capital expenditure committed	0.9	2.3

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:

	2019 £m	2018 £m
Within one year	2.2	2.2
Between one and five years	8.0	7.2
Later than five years	8.3	9.5
	18.5	18.9

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

7.4 Group undertakings

	Registered Office Address	Activity	Country in which incorporated
Held by Parent Company			
Avon Polymer Products Limited	Hampton Park West, Melksham, SN12 6NB, U.K.	The manufacture and distribution of rubber and polymer based products	U.K.
Avon Rubber Overseas Limited	Hampton Park West, Melksham, SN12 6NB, U.K.	Investment company	U.K.
Avon Rubber Pension Trust Limited	Hampton Park West, Melksham, SN12 6NB, U.K.	Pension fund trustee	U.K.
milkrite | Interpuls (Shanghai) International Trading Company Limited (previously Avon Dairy Solutions (Shanghai) International Trading Company Limited)	Section B1, 1F, District D12C 207 Taigu Road, Waigaoqiao Free Trade Zone, Shanghai, PRC	Trading company	China
Avon Rubber Italia S.r.l.	Corso di Porta Vittoria, 9 20122, Milano, Italy	Investment company	Italy
Held by Group undertakings			
milkrite | Interpuls, Inc. (previously Avon Hi-Life, Inc.)	110 Lincoln St, Johnson Creek, WI 53038, United States	The manufacture and distribution of rubber and polymer based products	U.S.
Avon Protection Systems, Inc.	503 8th St, Cadillac, MI 49601, United States	The manufacture and distribution of respiratory protection systems	U.S.
Avon Rubber & Plastics, Inc.	503 8th St, Cadillac, MI 49601, United States	Investment company	U.S.
Avon Group Limited	Hampton Park West, Melksham, SN12 6NB, U.K.	Dormant company	U.K.
Avon Protection Systems U.K. Limited	Hampton Park West, Melksham, SN12 6NB, U.K.	Dormant company	U.K.
milkrite | Interpuls Solucoes Para Ordenha LTDA (previously Avon-Dairy America do sul Solucoes Para Ordentia LTDA)	City of Castro, State of Parana, at Rua Jose Antonio de Oliveira, 80, Jardim das Araucarias, Zip Code 84174620	Trading company	Brazil
Interpuls S.p.A.	via F. Maritano, 11 | 42020, Albinea RE, Italy	The manufacture and distribution of milking point technology	Italy

Notes to the Group Financial Statements continued

For the year ended 30 September 2019

Section 7 – Other continued

7.4 Group undertakings continued

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

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

Avon Rubber Pension Trust Limited is a pension fund trustee.

Avon Rubber Overseas Limited, Avon Rubber Italia S.r.l. and Avon Rubber & Plastics, Inc. are investment holding companies.

InterPuls S.p.A. designs and manufactures specialist milking components for use in the dairy industry.

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

Avon Polymer Products Limited and Avon Rubber Overseas Limited are exempt from the requirement to file audited accounts by virtue of Section 479A of the Companies Act 2006 ('the Act'). All remaining U.K. subsidiaries are exempt from the requirement to file audited accounts by virtue of Section 480 of the Act.

7.5 Related party transactions

There were no related party transactions during the year or outstanding at the end of the year (2018: £nil). Key management compensation is disclosed in note 6.1.

7.6 Significant accounting policy changes – IFRS 16

Under IFRS 16 the Group will recognise right of use assets and lease liabilities for most leases previously classified as operating leases. The most material of such leases relate to leasehold property. The Group intends to apply the lease standard retrospectively allowing comparability with prior period reported numbers in the 2020 Annual Report.

The change in accounting treatment will result in the creation of a deferred tax asset on application as a result of the timing difference arising between the accounting and tax treatments of the lease payments, that will unwind over the remaining life of the leases.

The expected impact of the application of IFRS 16 on the balance sheet can be summarised as follows:

	On transition At 1 October 2018	Balance sheet date At 30 September 2019
Right of use lease asset	7.4	6.5
Lease liability	(11.1)	(10.2)
Associated deferred tax asset	0.7	0.7
Net assets	(3.0)	(3.0)

The application of the new standard is expected to have a minimal impact on Earnings and Earnings per share in the short to medium-term. However the lease costs that were previously reported in operating expenses will now be split between finance costs and amortisation, both of which are carried below EBITDA, impacting EBITDA and cash conversion metrics.

The table below shows the impact of applying IFRS 16 on the 2019 reported results:

	As reported 2019 £m	Impact IFRS 16 2019 £m	Revised 2019 £m
EBITDA	31.0	2.0	33.0
Earnings	14.3	–	14.3
Earnings per share	46.9p	–	46.9p
Adjusted EBITDA	39.5	2.0	41.5
Adjusted Earnings	28.0	–	28.0
Adjusted Earnings per share	91.7p	–	91.7p

Parent Company Balance Sheet

At 30 September 2019

	Note	2019 £m	2018 £m
Assets			
Non-current assets			
Intangible assets	4	0.1	0.1
Investments in subsidiaries	5	87.8	70.8
Deferred tax assets	6	1.1	0.7
		89.0	71.6
Current assets			
Trade and other receivables	7	1.2	0.5
Amounts owed by Group undertakings		44.6	69.1
Cash and cash equivalents		32.9	32.4
		78.7	102.0
Liabilities			
Current liabilities			
Trade and other payables	8	4.4	3.6
Amounts owed to Group undertakings		24.9	29.5
Provisions for liabilities and charges	9	–	0.3
		29.3	33.4
Net current assets		49.4	68.6
Non-current liabilities			
Provisions for liabilities and charges	9	1.6	1.7
		1.6	1.7
Net assets		136.8	138.5
Shareholders' equity			
Ordinary shares	11	31.0	31.0
Share premium account		34.7	34.7
Capital redemption reserve		0.5	0.5
Retained earnings		70.6	72.3
Total equity		136.8	138.5

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account. The profit for the Company for the year was £5.1m (2018: 11.5m).

These financial statements on pages 143 to 150 were approved by the Board of Directors on 13 November 2019 and signed on its behalf by:

Paul McDonald
Chief Executive Officer

Nick Keveth
Chief Financial Officer

Parent Company Statement of Changes in Equity

For the year ended 30 September 2019

	Note	Share capital £m	Share premium £m	Capital redemption reserves £m	Retained earnings £m	Total equity £m
At 30 September 2017		31.0	34.7	0.5	64.5	130.7
Profit and total comprehensive income for the year	1	–	–	–	11.5	11.5
Dividends paid	2	–	–	–	(4.1)	(4.1)
Own shares acquired	11	–	–	–	(1.1)	(1.1)
Fair value of share-based payments	13	–	–	–	1.2	1.2
Deferred tax relating to employee share schemes	6	–	–	–	0.3	0.3
At 30 September 2018		31.0	34.7	0.5	72.3	138.5
Profit for the year	1	–	–	–	5.1	5.1
Dividends paid	2	–	–	–	(5.4)	(5.4)
Own shares acquired	11	–	–	–	(1.3)	(1.3)
Fair value of share-based payments	13	–	–	–	0.4	0.4
Deferred tax relating to employee share schemes	6	–	–	–	0.2	0.2
Cashflow hedges		–	–	–	(0.9)	(0.9)
Deferred tax relating on cash flow hedges	6	–	–	–	0.2	0.2
At 30 September 2019		31.0	34.7	0.5	70.6	136.8

Parent Company Accounting Policies

For the year ended 30 September 2019

Accounting policies

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

Basis of preparation

The accounts have been prepared on a going concern basis and in accordance with the Companies Act 2006 and with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and under the historical cost convention except for financial assets and liabilities (including derivative instruments) held at fair value through profit and loss.

The Company has taken advantage of the disclosure exemptions available under FRS 101 in relation to the following:

- presentation of a cash flow statement and related notes (IAS 7)
- comparative period reconciliations for share capital and intangible and tangible fixed assets (paragraph 38, IAS 1)
- transactions with wholly owned subsidiaries (IAS 24)
- capital management (paragraph 134–136, IAS 1)
- share-based payments (paragraph 45(b) and 46 to 52, IFRS 2)
- financial instruments (IFRS 7)
- compensation of key management personnel (paragraph 17, IAS 24)

Where required, equivalent disclosures are given in the Group financial statements.

Recent accounting developments

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 30 September 2019 have had a material impact on the Company.

Foreign currencies

The Group'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.

Pensions

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 U.K. employed prior to 31 January 2003. The scheme is closed to new entrants and was closed to future accrual of benefits from 1 October 2009. Scheme assets are measured using market values, while liabilities are measured using the projected unit method. One of the Company's subsidiaries, Avon Polymer Products Limited is the employer that is legally responsible for the scheme and the pension obligations are included in full in its accounts. No asset or provision has been reflected in the 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 U.K. pension schemes have been provided in the Group financial statements.

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.

Intangible assets

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

Impairment charges are made if there is significant doubt as to the sufficiency of future economic benefits to justify the carrying values of the intangible assets based upon discounted cash flow projections using an appropriate risk weighted discount factor.

Plant and equipment

Property, plant and equipment is stated at historical cost 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.

Depreciation is provided estimated to write down the depreciable amount of relevant assets by equal annual instalments over their estimated useful lives.

In general, the lives used are:

- Computer hardware – three years
- Other plant and machinery – five to ten years

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

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated net realisable value. Gains and losses on disposal are determined by comparing proceeds with carrying amounts.

Parent Company Accounting Policies continued

For the year ended 30 September 2019

Leased assets

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

Investments in subsidiary undertakings

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

Deferred taxation

Because of the differences between accounting and taxable profits and losses reported in each period, temporary differences arise on the amount certain assets and liabilities are carried at for accounting purposes and their respective tax values. Deferred tax is the amount of tax payable or recoverable on these temporary differences.

Deferred tax liabilities arise where the carrying amount of an asset is higher than the tax value (more tax deduction has been taken). This can happen where the Company invests in capital assets, as governments often encourage investment by allowing tax depreciation to be recognised faster than accounting depreciation. This reduces the tax value of the asset relative to its accounting carrying amount. Deferred tax liabilities are generally provided on all taxable temporary differences. The periods over which such temporary differences reverse will vary depending on the life of the related asset or liability.

Deferred tax assets arise where the carrying amount of an asset is lower than the tax value (less tax benefit which has been taken). Deferred tax assets are recognised only where the Company considers it probable that it will be able to use such losses by offsetting them against future taxable profits.

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 tax is calculated using the enacted or substantively enacted rates that are expected to apply when the asset is realised or the liability is settled.

Trade and other receivables

Trade and other receivables are classified as measured at amortised cost. The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised costs. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

Cash and cash equivalents

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

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. They are initially recognised at fair value and subsequently held at amortised cost.

Provisions

Provisions are recognised when:

- the 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.

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

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

Borrowings

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

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 2019

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 £5.1m (2018: £11.5m).

The audit fee in respect of the Parent Company is set out in note 2.5 to the Group financial statements.

2 Dividends

Details of the Company's dividends are set out in note 5.6 to the Group financial statements.

3 Employees

The total remuneration and associated costs during the year were:

	2019 £m	2018 £m
Wages and salaries	2.8	2.4
Social security costs	0.3	0.3
Other pension costs	0.1	0.1
Share-based payments	0.4	1.2
	3.6	4.0

Detailed disclosures of Directors' remuneration and share options, including disclosure of the highest paid Director, are given on pages 73 to 89.

The average monthly number of employees (including Executive Directors) during the year was: 23 (2018: 17), all of whom were classified as administrative staff.

4 Intangible assets

	Computer software £m
Cost	
At 1 October 2018	0.2
Additions	0.1
At 30 September 2019	0.3
Amortisation charge	
At 1 October 2018	0.1
Charge for the year	0.1
At 30 September 2019	0.2
Net book value	
At 30 September 2019	0.1
At 30 September 2018	0.1

Notes to the Parent Company Financial Statements continued

For the year ended 30 September 2019

5 Investments in subsidiaries

	£m
Cost and net book value	
At 1 October 2018	70.8
Additions	17.0
At 30 September 2019	87.8

The Directors believe that the carrying value of the investments is supported by their underlying net assets. During the year an intercompany loan with Avon Rubber Overseas Limited with a value of £17.0m was capitalised.

The investments consist of a 100% (unless indicated as otherwise) interest in the following subsidiaries:

	Principal activity	Registered office	Country in which incorporated
Avon Polymer Products Limited	The manufacture and distribution of rubber and polymer based products	Hampton Park West, Melksham, SN12 6NB, U.K.	U.K.
Avon Rubber Overseas Limited	Investment company	Hampton Park West, Melksham, SN12 6NB, U.K.	U.K.
Avon Rubber Pension Trust Limited	Pension Fund Trustee	Hampton Park West, Melksham, SN12 6NB, U.K.	U.K.
milkrite | InterPuls (Shanghai) International Trading Company Limited (previously Avon Dairy Solutions (Shanghai) International Trading Company Limited)	Trading company	Section B1, 1F, District D12C 207 Taigu Road, Waigaoqiao Free Trade Zone, Shanghai, PRC	China
Avon Rubber Italia S.r.l.	Investment company	Corso di Porta Vittoria, 9 20122, Milano, Italy	Italy
milkrite | InterPuls Solucoes Para Ordenha LTDA (previously Avon-Dairy America do sul Solucoes Para Ordenha LTDA (1%))	Trading company	City of Castro, State of Parana, at Rua Jose Antonio de Oliveira, 80, Jardim das Araucarias, Zip Code 84174620	Brazil

Details of investments held by these subsidiaries are given in note 7.4 to the Group financial statements.

6 Deferred tax assets

	Share Options £m	Accelerated capital allowances £m	Other Temporary Differences £m	Total £m
At 30 September 2017	0.4	0.1	–	0.5
(Charged)/credited to profit for the year	(0.1)	–	–	(0.1)
Charged to equity	0.3	–	–	0.3
At 30 September 2018	0.6	0.1	–	0.7
(Charged)/credited to profit for the year	0.1	–	0.1	0.2
Charged to equity	0.2	–	–	0.2
At 30 September 2019	0.9	0.1	0.1	1.1

7 Trade and other receivables

	2019 £m	2018 £m
Other receivables	0.3	0.1
Prepayments	0.9	0.4
	1.2	0.5

8 Trade and other payables

	2019 £m	2018 £m
Trade payables	0.4	0.5
Accruals	4.0	3.1
	4.4	3.6

Amounts due to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

9 Provisions for liabilities and charges

	Property obligations £m
Balance at 30 September 2017	1.5
Reclassification from other payables	0.8
Payments in the year	(0.3)
Balance at 30 September 2018	2.0
Provision reversed during the year	(0.3)
Payments in the year	(0.1)
Balance at 30 September 2019	1.6

Analysis of total provisions	2019 £m	2018 £m
Non-current	1.6	1.7
Current	–	0.3
	1.6	2.0

Property obligations previously included an onerous lease provision of £0.9m in respect of unutilised space at the Group's leased Melksham facility in the U.K. £0.1m of this provision was utilised in 2019 with the remaining £0.8m being released as a result of this facility now being fully utilised. Other property obligations relate to leased premises of the Company which are subject to dilapidation risks and are expected to be utilised within the next ten years. Such provisions were increased by £0.5m during the year. Property provisions are subject to uncertainty in respect of the utilisation, non-utilisation, or subletting of surplus leasehold property and any final negotiated settlement of any dilapidation claims with landlords.

Notes to the Parent Company Financial Statements continued

For the year ended 30 September 2019

10 Borrowings

During the year the Group extended its $40m revolving credit facility with Barclays Bank and Comerica Bank to $85m with an expiry date of 28 June 2022 and an option to extend for a further year. This facility is priced on the dollar LIBOR plus margin of 1–1.75% depending on leverage and includes financial covenants which are measured on a quarterly basis. The Company was in compliance with its financial covenants during 2019 and 2018.

The Company has provided the lenders with a negative pledge in respect of certain shares in Group companies.

There was no drawdown of loans in 2019 and 2018.

11 Share capital

Details of the Company's share capital are set out in note 5.5 to the Group financial statements.

12 Other financial commitments

The Company has no capital expenditure committed at the year end (2018: nil).

The future aggregate minimum lease payments under non-cancellable operating leases are:

	2019 £m	2018 £m
Within one year	1.0	1.0
Between one and five years	3.5	3.6
Later than five years	7.6	8.5
	12.1	13.1

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

13 Share-based payments

The Company operates an equity-settled share-based performance share plan (PSP), details of which are disclosed in note 6.3 to the Group financial statements.

Five Year Record

For the year ended 30 September 2019

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Revenue	179.3	165.5	159.2	138.1	123.9
Operating profit before amortisation of acquired intangibles, exceptional items, acquisition costs and defined benefit pension scheme costs	31.3	27.3	26.1	20.5	16.1
Amortisation of acquired intangibles, exceptional items, acquisition costs and defined benefit pension scheme costs	(16.9)	(4.5)	(6.0)	(4.1)	(1.3)
Operating profit	14.4	22.8	20.1	16.4	14.8
Net finance costs and other finance expense	(0.7)	(1.2)	(1.2)	(0.9)	(1.0)
Profit before taxation	13.7	21.6	18.9	15.5	13.8
Taxation	0.6	(1.8)	2.9	2.1	(2.3)
Profit for the year from continuing operations	14.3	19.8	21.8	17.6	11.5
Discontinued operations – loss for the year	–	1.6	(0.3)	–	1.4
Profit attributable to equity shareholders	14.3	21.4	21.5	17.6	12.9
Ordinary dividends	(5.4)	(4.1)	(3.2)	(2.4)	(1.9)
Retained profit	8.9	17.3	18.3	15.2	11.0
Intangible assets and property,plant and equipment	56.7	64.1	66.7	77.4	69.5
Working capital	19.6	6.2	8.9	7.2	10.3
Provisions	(2.3)	(2.8)	(2.0)	(2.5)	(2.6)
Pension liability	(43.0)	(30.5)	(44.1)	(39.9)	(16.6)
Net deferred tax liability	7.1	1.3	1.4	(2.2)	(5.2)
Net cash/(borrowings)	48.3	46.5	24.7	2.0	(13.2)
Net assets employed	86.4	84.8	55.6	42.0	42.2
Financed by:					
Ordinary share capital	31.0	31.0	31.0	31.0	31.0
Reserves attributable to equity shareholders	55.4	53.8	24.6	11.0	11.2
Total equity	86.4	84.8	55.6	42.0	42.2
Basic earnings per share – continuing operations	46.9p	64.9p	71.6p	58.0p	41.7p
Adjusted basic earnings per share	91.7p	77.1p	83.8p	71.8p	52.5p
Dividends per share paid in cash	17.62p	13.56p	10.43p	8.02p	6.17p

Glossary of Financial Terms

	Definition
Adjusted basic earnings per share	Adjusted profit for the year divided by the weighted average number of shares in issue
Adjusted EBITDA	Adjusted EBITDA is defined as operating profit before depreciation, amortisation, exceptional items and defined benefit pension scheme costs. It excludes any effect of discontinued operations
Adjusted EBITDA margin	The ratio of Adjusted EBITDA to revenue
Adjusted operating profit	Operating profit adjusted to exclude amortisation of acquired intangibles, pension administration costs and any exceptional items
Cash conversion	The ratio of cash generated from operations before the effect of exceptional items, as a percentage of adjusted EBITDA
Closing order book	Orders held by the Group at the end of the year which are not yet fulfilled
Constant currency	Comparative performance measures are retranslated at current year exchange rates to present a comparison unaffected by currency movements. Current year exchange rates are disclosed in Note 5.4
Continuing operations	The segments of the Group that are expected to still be operating in the future
Discontinued operations	The segments of the Group that no longer function within the core business and which are separately disclosed within the Income Statement
Dividend per share	Dividends paid/proposed, divided by the weighted average number of shares in issue
EBITDA	The Group's earnings before charging interest, tax, depreciation and amortisation
Exceptional Items	Significant non recurring items such as significant restructuring and project cancellation costs
Intellectual Property	Intangible property created by the Group through research and development, that is protected through patents, copyrights or trademarks
Net cash/debt	Net cash is the Group's cash net of any drawn debt or overdraft. Net debt is the Group's drawn debt and overdrafts net of any cash balance
Orders received	The orders received throughout the year and recognised as revenue together with orders in the closing order book
Return on capital employed	Adjusted operating profit as a percentage of average capital employed. Capital employed is the sum of shareholders' funds adjusted for non-current liabilities and current borrowings. See below for current year calculation:
Product development as % of revenue	Total expenditure on research and development expressed as a percentage of revenue.

2019 return on capital employed calculation

	2019 £m	2018 £m
Shareholders funds	86.4	84.8
Current borrowings	0.1	0.1
Non current liabilities	50.7	39.9
Capital employed	137.2	124.8
Average capital employed	131.0	
Adjusted operating profit	31.3	
Return on capital employed	23.9%	

Abbreviations

Term	Explanation
50 Series	Range of masks based on the proven technology of the M50 mask system
AEF	Avon Engineered Fabrications, Inc. was the U.S. based hovercraft skirt and bulk liquid storage tank business
BPS	Basis Points
CBRN	Chemical, Biological, Radiological, Nuclear
CE	CE markings indicate conformity to health and safety standards sold within the European Economic Area
CES	Cluster Exchange Service
DOD	Department of Defense
FX	Foreign Exchange
FY	Financial Year
GSR	General Service Respirator
H1/H2	First half of the financial year (October – March)/Second half of financial year (April – September)
MOD	Ministry of Defence
NFPA	National Fire Protection Association, a North American trade association that maintains usage standards for the Fire service
NIOSH	National Institute of Occupational Safety and Health. NIOSH approval indicates conformity to health and safety standards of products sold within North America
OEM	Original equipment manufacturer
PAPR	Powered Air Purifying Respirator
PCI	Precision, Control and Intelligence
PES	Pulsator Exchange Service
RoW	Rest of World
SCBA	Self Contained Breathing Apparatus
TES	Tag Exchange Service

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your bank manager, stockbroker, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all of your shares in Avon Rubber p.l.c., please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Notice of Annual General Meeting for the year ended 30 September 2019

Notice is hereby given that the Annual General Meeting ('AGM') of shareholders of Avon Rubber p.l.c. (the 'Company') will be held at Hampton Park West, Semington Road, Melksham, Wiltshire on 30 January 2020 at 10.30am for the purposes set out below.

You will not receive a form of proxy for the Annual General Meeting in the post. Instead, you will receive instructions to enable you to vote electronically and how to register to do so. You will still be able to vote in person at the Annual General Meeting, and may request a hard copy proxy form directly from the registrars, Link Asset Services, 34 Beckenham Road, Beckenham, BR3 4TU (telephone number: 0871 664 0300).

Ordinary business

To consider and, if thought fit, pass resolutions 1–10 (inclusive) as Ordinary Resolutions:

Resolution 1

To receive the Company's accounts and the reports of the Directors and the Auditors for the year ended 30 September 2019.

Resolution 2

To approve the Directors' Remuneration Report for the financial year ended 30 September 2019.

Resolution 3

To declare a final dividend of 13.89p per ordinary share as recommended by the Directors.

Resolution 4

To re-elect David Evans as a Director of the Company.

Resolution 5

To re-elect Pim Vervaat as a Director of the Company.

Resolution 6

To re-elect Chloe Ponsonby as a Director of the Company.

Resolution 7

To re-elect Paul McDonald as a Director of the Company.

Resolution 8

To re-elect Nick Keveth as a Director of the Company.

Resolution 9

To re-appoint KPMG LLP as auditor of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.

Resolution 10

To authorise the Directors to determine the auditors' remuneration.

Special business

To consider and if thought fit, pass resolution 11 as an Ordinary Resolution and resolutions 12–15 (inclusive) as Special Resolutions:

Resolution 11

That in accordance with section 551 of the Companies Act 2006 (the 'Act') the Directors be generally and unconditionally authorised to allot Relevant Securities (as defined in the notes to this resolution) comprising equity securities (as defined by section 560 of the Act) up to an aggregate nominal amount of £10,341,097 but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange, provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date 15 months after the date of this resolution or, if earlier, the date of the next Annual General Meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

Resolution 12

That, subject to the passing of resolution 11, the Directors be authorised to allot equity securities (as defined by section 560 of the Act) for cash under the authority conferred by that resolution and/ or to sell ordinary shares held by the Company as treasury shares for cash, as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall:

(a) be limited to the allotment of equity securities or sale of treasury shares up to an aggregate nominal amount of £1,551,164; and

(b) expire on the date 15 months after the date of this resolution or, if earlier, the date of the next Annual General Meeting of the Company (unless renewed, varied or revoked by the Company prior to or on that date) save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted (or treasury shares to be sold) after such expiry and the Directors may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

Resolution 13

That, subject to the passing of resolution 11, the Directors be authorised, in addition to any authority granted under resolution 12, to allot equity securities (as defined by section 560 of the Act) for cash under the authority conferred by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash, as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall:

(a) be limited to the allotment of equity securities or sale of treasury shares up to an aggregate nominal amount of £1,551,164; and

(b) be used for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors have determined to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice; and

(c) expire on the date 15 months after the date of this resolution or, if earlier, the date of the next Annual General Meeting of the Company (unless renewed, varied or revoked by the Company prior to or on that date) save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted (or treasury shares to be sold) after such expiry and the Directors may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

Resolution 14

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

(a) the maximum number of shares which may be purchased is 3,102,329;

(b) the minimum price (excluding expenses) which may be paid for each share is £1;

(c) the maximum price (excluding expenses) which may be paid for each ordinary share is an amount equal to the higher of:

(i) 105% (one hundred and five per cent) of the average of the middle market quotations of the Company's ordinary shares as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which such share is contracted to be purchased; and

(ii) the value of an ordinary share calculated on the basis of the higher of the price quoted for the last independent trade of and the highest current independent bid for any number of the Company's ordinary shares on the London Stock Exchange Daily Official List at the time the purchase is agreed; and

(d) this authority shall expire on the date 15 months after the date of this resolution or, if earlier, the date of the next Annual General Meeting of the Company (except in relation to the purchase of shares the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry) unless such authority is renewed prior to such time.

Resolution 15

That a general meeting of the Company (other than an Annual General Meeting), may be called on not less than 14 clear days' notice.

By order of the Board

Miles Ingrey-Counter

Miles Ingrey-Counter
Company Secretary

13 November 2019

Notice of Annual General Meeting continued

Explanatory notes relating to the Resolutions

The Board believes that the adoption of resolutions 1 to 15 will promote the success of the Company and is in the best interests of the Company and its shareholders as a whole. The Board unanimously recommends that all shareholders should vote in favour of all the resolutions to be proposed at the Annual General Meeting. Each of the Directors of the Company intends to vote in favour of all resolutions in respect of their own beneficial holdings.

Resolution 1 – Report and Accounts

The Directors are required by law to present to the Annual General Meeting the accounts, and the reports of the Directors and Auditors, for the year ended 30 September 2019. These are contained in the Company's 2019 Annual Report.

Resolution 2 – Directors' Remuneration Report

This resolution seeks shareholders' approval of the Directors' Remuneration Report for the year ended 30 September 2019 contained on pages 73 to 89 of the Annual Report. As in previous years, the vote is advisory only and the Directors' entitlement to remuneration is not conditional on it being passed.

Resolution 3 – Declaration of final dividend

A final dividend can only be paid after the shareholders have approved it at a general meeting. The Directors recommend that a final dividend in respect of the financial year ended 30 September 2019 of 13.89p be paid. Subject to approval, the final dividend will be paid on 13 March 2020 to eligible shareholders on the Company's register of members at close of business on 14 February 2020.

Resolutions 4 to 8 – Re-appointment of Directors

Each member of the Board has offered himself/herself for re-election in accordance with best practice corporate governance standards. The Board unanimously recommends that they each be re-elected as Directors of the Company. The Chairman confirms that each of the Non-executive Directors who are seeking re-election at the Annual General Meeting continues to be an effective member of the Board and to demonstrate their commitment to their role. The Chairman himself is also seeking re-election to the Board. Pim Vervaat, in his capacity as Senior Independent Director, has confirmed that the Chairman continues to be an effective Chairman and demonstrates commitment to his role as Chairman.

Biographical details for each Director are set out on pages 62 and 63 of the Annual Report.

Resolutions 9 & 10 – Re-appointment of auditor and authorisation for the Directors to set the auditor's remuneration

The Company is required to appoint an auditor at each general meeting at which its accounts are presented. The Board is recommending to shareholders the re-appointment of KPMG LLP as the Company's auditor for the financial year commencing on 1 October 2019.

Resolution 11 – Directors' authority to allot

This resolution deals with the Directors' authority to allot Relevant Securities in accordance with section 551 of the Act. The authority granted at the last Annual General Meeting is due to expire at the conclusion of this year's Annual General Meeting and accordingly it is proposed to renew this authority.

This resolution will, if passed, authorise the Directors to allot Relevant Securities up to a maximum nominal amount of £10,341,097, which is equal to approximately one-third of the issued share capital of the Company as at 13 November 2019 in accordance with institutional shareholder guidelines. The Directors have no present intention of exercising this authority. The authority granted by this resolution will expire on the date 15 months after the date of this resolution or, if earlier, the date of the next Annual General Meeting of the Company.

In this resolution, Relevant Securities means:

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

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

Resolution 12 – General disapplication of pre-emption rights

This resolution will, if passed, give the Directors power, pursuant to the authority to allot granted by resolution 11, to allot equity securities (as defined by section 560 of the Act) or sell treasury shares for cash without first offering them to existing shareholders in proportion to their existing holdings up to a maximum nominal amount of £1,551,164 which represents approximately 5% of the Company's issued share capital as at 13 November 2019 and renews the authority given at the Annual General Meeting in 2019.

The figure of 5% reflects the Pre-Emption Group 2015 Statement of Principles for the disapplication of pre-emption rights (the 'Statement of Principles'). The Directors will have due regard to the Statement of Principles in relation to any exercise of this power, in particular they do not intend to allot shares for cash on a non-pre-emptive basis pursuant to this power in excess of an amount equal to 7.5% of the total issued ordinary share capital of the Company in any rolling three year period, without prior consultation with shareholders save as permitted in connection with an acquisition or specified capital investment as described in the notes for resolution 13.

The power granted by this resolution will expire on the date 15 months after the date of this resolution or, if earlier, the date of the next Annual General Meeting of the Company.

The Directors have no present intention to exercise the authority conferred by this resolution.

Resolution 13 – Additional disapplication of pre-emption rights

This resolution seeks a further power pursuant to the authority granted by resolution 11, to allot equity securities (as defined by section 560 of the Act) or sell treasury shares for cash without first offering them to existing shareholders in proportion to their existing holdings up to a maximum nominal amount of £1,551,164 which represents approximately 5% of the Company's issued share capital as at 13 November 2019. This is in addition to the 5% referred to in resolution 12 above.

The power granted by this resolution will expire on the date 15 months after the date of this resolution or, if earlier, the date of the next Annual General Meeting of the Company.

The Directors will have due regard to the Statement of Principles in relation to any exercise of this power and in particular they confirm that they intend to use this power only in connection with a transaction which they have determined to be an acquisition or other capital investment (of a kind contemplated by the Statement of Principles most recently published prior to the date of this Notice) which is announced contemporaneously with the announcement of the issue, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue.

Resolution 14 – Authority to purchase own shares

This resolution seeks authority for the Company to make market purchases of its own shares and is proposed as a special resolution. If passed, the resolution gives authority for the Company to purchase up to 3,102,329 ordinary shares of £1 each, representing 10% of the Company's issued ordinary share capital as at 13 November 2019.

The resolution specifies the minimum and maximum prices which may be paid for any ordinary shares purchased under this authority. The authority will expire on the earlier of the date 15 months after the date of this resolution and the Company's next Annual General Meeting. The Company purchased no ordinary shares in the period from the last Annual General Meeting to 13 November 2019 under the existing authority.

The Directors have no present intention of exercising the authority to make market purchases; however, the authority provides the flexibility to allow them to do so in the future.

The Directors will exercise this authority 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 earnings per ordinary 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. In the event of any purchase under this authority, the Directors would either hold the purchased ordinary shares in treasury or cancel them.

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

As of 13 November 2019 there were options to subscribe outstanding over 461,55 ordinary shares, representing 1.48% of the Company's ordinary issued share capital. If the authority given by resolution 14 were to be fully exercised, these options would represent 1.65% of the Company's ordinary issued share capital after cancellation of the re-purchased shares. As of 13 November 2019, there were no warrants outstanding over ordinary shares.

Resolution 15 – Notice of Meeting

Resolution 15 is a resolution to allow the Company to hold general meetings (other than Annual General Meetings) on 14 days' notice.

Before the introduction of the Companies (Shareholders' Rights) Regulations in August 2009, the Company was able to call general meetings (other than Annual General Meetings) on 14 clear days' notice. One of the amendments that the Companies (Shareholders' Rights) Regulations 2009 made to the Act was to increase the minimum notice period for listed company general meetings to 21 days, but with an ability for companies to reduce this period back to 14 days (other than for Annual General Meetings) provided that: (i) the Company offers facilities for shareholders to vote by electronic means; and (ii) there is an annual resolution of shareholders approving the reduction in the minimum notice period from 21 days to 14 days.

Resolution 15 is therefore proposed as a special resolution to approve 14 days as the minimum period of notice for all general meetings of the Company other than Annual General Meetings. The approval will be effective until the Company's next Annual General Meeting, when it is intended that the approval be renewed. The Company will use this notice period only when permitted to do so in accordance with the Act and when the Directors consider it appropriate to do so.

Notice of Annual General Meeting continued

Notice of meeting notes

The following notes explain your general rights as a shareholder and your right to attend and vote at this Meeting or to appoint someone else to vote on your behalf.

1. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the Register of Members of the Company at close of business on 28 January 2020. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

2. Shareholders, or their proxies, intending to attend the Meeting in person are requested, if possible, to arrive at the Meeting venue at least 20 minutes prior to the commencement of the Meeting at 10:30am (U.K. time) on 31 January 2019 so that their shareholding may be checked against the Company's Register of Members and attendances recorded.

3. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company.

4. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).

5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

6. You can vote either:
   - by logging on to www.signalshares.com and following the instructions;
   - you may request a hard copy form of proxy directly from the registrars, Link Asset Services (previously called Capita), on Tel: 0371 664 0300. Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00–17:30, Monday to Friday excluding public holidays in England and Wales.
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

   In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by Link Asset Services at 34 Beckenham Road, Beckenham, Kent, BR3 4ZF by 10:30 am on 28 January 2020.

7. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.

8. The return of a completed form of proxy, electronic filing or any CREST Proxy Instruction (as described in note 11 below) will not prevent a shareholder from attending the Meeting and voting in person if he/she wishes to do so.

9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a 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.

10. 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 U.K. & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 10:30am on 29 January 2019. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear U.K. & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is 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 their 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 system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

12. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.

13. As at 13 November 2019 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 31,023,292 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 13 November 2019 are 31,023,292.

14. Under Section 527 of the Companies Act 2006, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's financial statements (including the Auditor's Report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements and reports were laid in accordance with Section 437 of the Companies Act 2006 (in each case) that the shareholders propose to raise at the relevant meeting. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Meeting for the relevant financial year includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

15. Any shareholder attending the Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.

16. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day from the date of this Notice until the time of the Meeting and may also be inspected at the Meeting venue, as specified in this Notice, from 30 minutes before the Meeting until the conclusion of the Meeting:
    - copies of the Directors' letters of appointment or service contracts;
    - a copy of the draft rules of the Long-Term Incentive Plan; and
    - a copy of the current Articles of Association of the Company.

17. You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

Shareholder Information

Shareholding

As at 30 October 2019 the Company had 1,340 shareholders, of which 803 had 1,000 shares or fewer.

Financial calendar

Half year results are announced in May and year end results in November.

In respect of the year ended 30 September 2019 the Annual General Meeting will be held on 30 January 2020 at Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB, England.

Corporate information

Registered office

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

Registered

In England and Wales No. 32965
VAT No. GB 137 575 643

Board of Directors

David Evans (Chairman)
Paul McDonald (Chief Executive Officer)
Nick Keveth (Chief Financial Officer)
Pim Vervaat (Senior Independent Director)
Chloe Ponsonby (Non-Executive Director)

Company secretary

Miles Ingrey-Counter

Independent auditors

KPMG LLP
Chartered Accountants and Statutory Auditors

Registrars and transfer office

Link Asset Services, The Registry, 34 Beckenham Road,
Beckenham, BR3 4TU

Tel: 0871 664 0300
(calls cost 10p per minute plus network extras, lines are open 8.30am–5.30pm, Monday to Friday excluding U.K. public holidays)

Financial Advisor

Rothschild & Co

Brokers

Peel Hunt LLP
Jefferies Group LLC

Financial PR

MHP Communications

Lawyers

TLT LLP
White & Case LLP

Principal bankers

Barclays Bank PLC
Comerica Inc.

Website

www.avon-rubber.com

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www.fsc.org
MIX
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