Avon Rubber Retirement and Death Benefits Plan
Summary Funding Statement at 31 March 2017

This Statement explains the funding that supports benefits in the Avon Rubber Retirement and Death Benefits Plan ("the Plan"). It tells you about the longer-term outlook for the Plan and the financial support the employer provides.

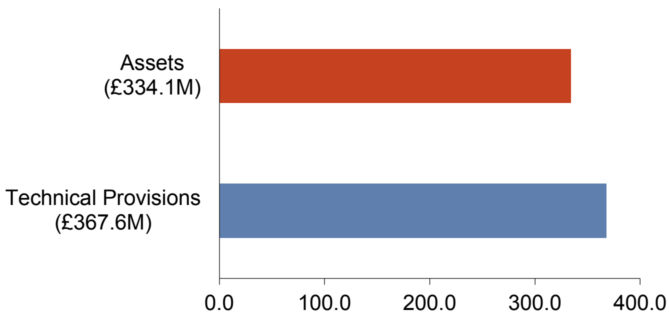
Pension scheme valuations are carried out at least every three years in accordance with legislation. The latest valuation of the Plan was carried out at 31 March 2016 and we provided you with a statement setting out the results of that valuation earlier this year.

The purpose of this Statement is to provide the results of the latest actuarial update as at 31 March 2017.

At 31 March 2016, the Plan's actuary found that the Plan had a shortfall of £33.8 million, which is the same as a funding level of 90%.

The Scheme Actuary is required to provide the Trustee with an approximate update of the funding position each year. The position as at 31 March 2017 is set out below:

Funding position at 31 March 2017



At 31 March 2017, the amount of money required to provide benefits under the technical provisions in full (i.e. the benefits promised to members) was estimated to be £367.6 million. The value of the Plan's assets at that date was £334.1 million. Therefore the shortfall at the date was £33.5 million, corresponding to a funding level of 91%.

Since the last formal actuarial valuation at 31 March 2016 the funding position has improved marginally, primarily due to the performance of the Plan's assets – increasing in value by more than the liabilities increased over the year.

Understanding the statement

As a Trustee Board, we are responsible for developing a funding target for the Plan. We set out our aims, the funding target we believe is suitable for the Plan, and how we aim to achieve this. To work out the funding target, the actuary needs to make a number of assumptions and look at how the outcome can change if any one of these turns out to be too low, or too high. We then use our judgement to consider how confident or cautious we want to be and we decide on a suitable safety margin to build into our target.

In the valuation, the actuary works out the amount the Plan needs to cover its funding target under the technical provisions. Then she takes the value of the Plan's assets from the audited accounts. The actuary then compares the assets with the funding target. This gives the funding level. The chart above shows you the level for our Plan.

Terminology

Technical Provisions – The funding target for the Plan agreed as part of the actuarial valuation

Recovery plan – A plan for making good any deficit relative to the technical provisions

Solvency estimate – Represents the cost of purchasing annuities to meet the Plan's benefits at the valuation date from an insurance company

Statement of Funding Principles – Document setting out the Trustee's policy for meeting the statutory funding objective

Schedule of Contributions – Document setting out the contributions payable by the Company

The Company's support

The funding target we agree for the Plan meets the requirements of the Pensions Act 2004 and is called the 'technical provisions'. It aims to produce a prudent reserve of money to hold against the Plan's future needs. We have discussed our funding plan with Avon Rubber plc (the Company) and they have accepted the target and agreed to a Recovery Plan to make good the shortfall. The Plan relies on Avon Rubber plc and its financial support to:

- make contributions when there is a funding shortfall; and
- put in more money if the target set for funding the Plan turns out to be too low.

To address the shortfall disclosed in the 31 March 2016 valuation, the Company agreed to pay the following contributions:

- From 1 April 2016 to 31 March 2017:
  - £450,000 during the year, payable in equal monthly instalments; and
  - £250,000 during the year, to cover management expenses incurred by the Company on behalf of the Plan.
- From 1 April 2017 to 1 October 2026 inclusive:
  - £900,000 each year, payable in two equal instalments on 1 April and 1 October; and
  - £600,000 each year to cover expenses, payable in two equal instalments on 1 April and 1 October, from 1 April 2017 to 1 October 2026 inclusive.
- The Company will pay an additional amount, up to a further £100,000, if the Pension Protection Levy exceeds £200,000 in any year.

We must also tell you if there have been any payments to Avon Rubber plc out of Plan funds in the last twelve months. There have not.

The Pensions Regulator can change the Plan, give directions about working out its technical provisions or impose a schedule of contributions. The Pension Regulator has not needed to exercise these powers for the 2016 valuation.

What if the Plan started to wind up?

Even though funding may temporarily be below target, the Plan will continue to pay benefits in full as long as it continues. As part of the valuation, the actuary must also look at the Plan's solvency estimate – the position if it started to wind up (come to an end). This does **not** mean that the Company is thinking of ending the Plan.

The actuary looked at whether the Plan had enough money at the valuation date to buy insurance policies to provide members' benefits. Insurance companies have to invest in 'low risk' assets, which are likely to give low returns and policy prices will include administration charges and a profit margin. This means that even if a plan is fully funded on the technical provisions basis, the solvency figure is likely to be less than 100%.

If the Plan had started winding up at 31 March 2016, the actuary estimates the amount the Plan needed to ensure benefits were paid in full (the full solvency position) was £552.6 million. On this basis the Plan's shortfall was £254.0 million.

The Pension Protection Fund

If the Plan starts to wind up before you retire, Avon Rubber plc has to pay whatever the Plan needs to buy the insurance policies for members. If Avon Rubber plc becomes insolvent, the Pension Protection Fund (the PPF) may step in and pay some compensation to members. There are more details on the PPF website at www.pensionprotectionfund.org.uk.

Any questions?

If you have any questions about the Plan or your benefits, please contact us. You can also ask to see the Plan's formal documents, including our Statements of Funding and Investment Principles. We may make a charge to cover the cost of photocopying, postage and packaging if we need to send you copies. The latest audited accounts and actuarial report, as well as the Schedule of Contributions are also available.

Please contact Avon Rubber Retirement & Death Benefits Plan, c/o Mercer Limited, PO Box 505, Chichester, PO19 9AF. Tel: 0800 046 6183, email: AvonRubber@Mercer.com.

By law, we cannot give you advice about your pension arrangements. If you are thinking about any changes, you may want to obtain independent financial advice.