THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you have sold or transferred all of your holding of Ordinary Shares in Avon Rubber p.l.c. ("**Avon Rubber**" or the "**Company**") please forward this Circular and the accompanying documents as soon as possible to the purchaser or the transferee or to the person through whom the sale or transfer was effected for transmission to the purchaser or the transferee. Any person (including, without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation or may otherwise intend to forward this document to any jurisdiction outside the United Kingdom should seek appropriate advice before taking any action. The distribution of this Circular and any accompanying documents into jurisdictions other than the United Kingdom may be restricted by law. Any person not in the United Kingdom into whose possession this Circular and any accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

You should read the whole of this Circular and all documents incorporated into it by reference in their entirety. Your attention is drawn to the letter from the Chair of Avon Rubber which is set out in Part I of this document and which contains a unanimous recommendation from the Board of Avon Rubber that you vote in favour of the Resolutions to be proposed at the General Meeting referred to below. Part II of this document entitled "Risk Factors" includes a discussion of certain risk factors which should be taken into account when considering the matters referred to in this document.

AVON

Avon Rubber p.l.c.

Avon Rubber p.l.c.

(registered in England and Wales with registered number 00032965)

Proposed Acquisition of Team Wendy, LLC

and

Notice of General Meeting

A notice convening a General Meeting of Avon Rubber to be held at 9:00 a.m. on 28 September 2020 is set out at the end of this document. The General Meeting will be convened electronically in accordance with the Corporate Insolvency and Governance Act 2020 (the "**2020 Act**"). In response to the COVID-19 pandemic, the U.K. Government has introduced a number of measures in England aimed at controlling the spread of the virus (the "**Measures**"). On 26 June 2020, the U.K. Government enacted the 2020 Act, which introduces flexible arrangements to allow U.K. companies to hold general meetings. The Board has been closely monitoring the ongoing impact of COVID-19 in the United Kingdom, and has carefully considered the Measures, the 2020 Act and public health guidance. The Board has also taken into account the latest guidance relating to the organisation of general meetings published by the Chartered Governance Institute ("**ICSA**")/the City of London Law Society ("**CLLS**") on 9 July 2020 and the Department for Business, Energy and Industrial Strategy ("**BEIS**")/the Financial Reporting Council ("**FRC**") on 8 June 2020. Protecting the safety and wellbeing of shareholders, Avon Rubber employees and the public is of paramount importance to the Board. The Board is also cognisant of the evolving situation and potential for future, localised lockdowns. The Board has therefore decided to convene the General Meeting electronically in accordance with the provisions of the 2020 Act. Shareholders should vote by way of proxy in advance of the General Meeting. It is important that you complete, sign and return a Form of Proxy in accordance with the instructions printed on it or vote electronically as set out below. To ensure your vote is counted, you should appoint the 'Chair of the meeting' as your proxy. To be valid, the Form of Proxy must be lodged with the Company's Registrar by not later than 9:00 a.m. on 24 September 2020. Shareholders can obtain a copy of the Form of Proxy from the Company's Registrar, Link Asset Services. See the notes to the Notice of General Meeting set out at the end of this document for more information.

The Company will be providing a listen-only webcast facility to enable shareholders to follow the proceedings of the General Meeting remotely. All Shareholders are encouraged to use this facility and follow the proceedings of the General Meeting in real time if they wish to do so. Despite the current exceptional circumstances, the Board is keen to maintain engagement with Shareholders. Shareholders can put a question to the Board relating to the business to be conducted at the General Meeting by submitting a question in advance through the webcast facility. Any questions must be received by 9:00 a.m. on 24 September 2020. The Board will respond to these questions during the General Meeting. The Company reserves the right to consolidate questions of a similar nature. The Company is not required to answer questions if (i) doing so would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information; (ii) the answer has already been given on the Company's website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.

Shareholders will receive details on the webcast facility separately. Shareholders with questions about the webcast facility should email enquiries@avon-rubber.com. Shareholders using the webcast facility will not be able to vote or ask questions using this service during the General Meeting.

You may submit your proxy electronically at www.signalshares.com using your Investor Code, which can be found on your share certificate or dividend notification. If you are a member of CREST you may be able to use the CREST electronic proxy appointment service. Proxies sent electronically must be sent as soon as possible and, in any event, so as to be received by not later than 9:00 a.m. on 24 September 2020 (or, in the case of an adjournment, not later than 48 hours (excluding any part of a day that is not a working day) before the time fixed for the holding of the adjourned meeting).

This document is a circular relating to the Acquisition which has been prepared in accordance with the Listing Rules and approved by the Financial Conduct Authority (the "**FCA**").

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been so authorised. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of Avon Rubber since the date of this document or that the information in it is correct as of any subsequent time.

Evercore Partners International LLP ("**Evercore**"), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for Avon Rubber and for no one else in connection with the Acquisition and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Acquisition. Evercore will not be responsible to anyone other than Avon Rubber for providing the protections afforded to its clients nor for giving advice in relation to the arrangements described in this document or any other transaction or arrangement referred to in this document. Other than its responsibilities and any liabilities which may arise under FSMA or the regulatory regime established thereunder, to the fullest extent permitted by applicable law, Evercore and its respective subsidiaries, branches and affiliates accordingly disclaim all and any responsibility or liability whether arising in tort, contract or otherwise which they might otherwise have in respect of this Circular or any statement contained herein and make no representation or warranty, express or implied, for the contents of this Circular, including its accuracy, fairness, sufficiency, completeness or verification or for any other statement made or purported to be made by them, or on their behalf, in connection with Avon Rubber, Team Wendy or the Acquisition, and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future.

William Blair International, Limited ("**William Blair**"), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for Avon Rubber and for no one else in connection with the Acquisition and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Acquisition. William Blair will not be responsible to anyone other than Avon Rubber for providing the protections afforded to its clients nor for giving advice in relation to the arrangements described in this document or any other transaction or arrangement referred to in this document. Other than its responsibilities and any liabilities which may arise under FSMA or the regulatory regime established thereunder, to the fullest extent permitted by applicable law, William Blair and its respective subsidiaries, branches and affiliates accordingly disclaim all and any responsibility or liability whether arising in tort, contract or otherwise which they might otherwise have in respect of this Circular or any statement contained herein and make no representation or warranty, express or implied, for the contents of this Circular, including its accuracy, fairness, sufficiency, completeness or verification or for any other statement made or purported to be made by them, or on their behalf, in connection with Avon Rubber, Team Wendy or the Acquisition, and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future.

Important Information

Forward-looking statements

This document contains or incorporates by reference forward-looking statements which are based on the beliefs, expectations and assumptions of the Board and other members of senior management about the Avon Rubber Group's business, the Acquisition and Team Wendy's business. All statements other than statements of historical fact included in this document may be forward-looking statements. Generally, words such as "will", "may", "should", "could", "estimates", "continue", "believes", "expects", "aims", "targets", "projects", "intends", "anticipates", "plans", "prepares", "seeks" or, in each case, their negative or other variations or similar or comparable expressions identify forward-looking statements. These forward-looking statements reflect the beliefs of the Board and other members of senior management, as well as assumptions made by them and information currently available to them. Although the Board and other members of senior management believe that these beliefs and assumptions are reasonable, by their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

For the avoidance of doubt, nothing in this document (including any forward-looking statement) constitutes a qualification of the working capital statement contained in paragraph 9 of Part VI (*Additional Information*) of this Circular. Each forward-looking statement speaks only as of the date of the particular statement. Avon Rubber and Evercore do not undertake any obligation to update publicly or revise any forward-looking statement as a result of new information, future events or other information, although such forward-looking statements will be publicly updated if required by the FCA, the Listing Rules and the Disclosure and Transparency Rules, the rules of the London Stock Exchange or otherwise by applicable law.

Sources and presentation of financial information

Presentation of Avon Rubber financial information

Unless otherwise indicated, the historical financial information relating to the Avon Rubber Group included in this document has been extracted without material adjustment from the audited consolidated financial statements of the Avon Rubber Group for the years ended 30 September 2017, 2018 and 2019 and unaudited consolidated financial statements of the Avon Rubber Group for the six months ended 31 March 2020 and has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU ("**IFRS**").

Presentation of Team Wendy, LLC ("Team Wendy") financial information

There was previously no statutory requirement for the financial statements of Team Wendy to be audited and as such a statutory auditor was not in place at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019. As a result, a statutory auditor did not observe the counting of the physical inventories at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019. PwC has been unable to satisfy itself by alternative means concerning inventory quantities held as at 1 January 2017, 31 December 2017, 31 December 2018 and 31 December 2019. As a result of these matters, PwC was unable to determine whether any adjustments might have been found to be necessary in respect of the carrying amount of inventories. Since inventories enter into the determination of the financial performance and cash flows, PwC was also unable to determine whether adjustments might have been necessary in respect of the profits reported in the Consolidated Statement of Comprehensive Income and the net cash flows from operating activities reported in the Consolidated Cash Flow Statement for each of the years reported in the Financial Information Table in Part A of Part IV of this document. PwC's opinion in respect of the state of the affairs of Team Wendy as at 31 December 2017, 31 December 2018 and 31 December 2019 and of the profit for the years then ended regarding the Financial Information Table is modified in this respect.

Unless otherwise indicated, the historical financial information relating to Team Wendy included in this document has been extracted without material adjustment from the financial information in relation to Team Wendy for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 set out in Part IV (*Historical Financial Information of Team Wendy*) of this document and has been prepared in accordance with IFRS.

Enlarged Group financial information

Following Completion, Team Wendy will be a subsidiary within the Avon Rubber Group, and the accounting policies applied to Team Wendy will be the same as those applied to the Avon Rubber Group.

Non-IFRS measures of the Avon Rubber Group's and Team Wendy's performance

This document contains certain non-IFRS financial measures of Team Wendy's financial performance that are not required by, or presented in accordance with, IFRS. Such non-IFRS measures are included because they are used by the Avon Rubber Group, Team Wendy and/or will be used by the Enlarged Group to measure business performance and the Directors believe these or similar measures are widely used in the industry as a means of evaluating financial and operating performance.

The non-IFRS measures contained in this document should not be considered in isolation from, or as a substitute for, measures presented in accordance with IFRS. In addition, the relevant non-IFRS measure presented may not be comparable to similarly titled measures presented by other businesses, as such businesses may define and calculate such measures differently than the Avon Rubber Group and/or Team Wendy. Accordingly, undue reliance should not be placed on the non-IFRS measures contained in this document.

EBITDA

EBITDA is calculated as operating profit before depreciation and amortisation. The following table shows how Team Wendy's EBITDA is calculated, based on IFRS operating profit, for the periods presented below:

	For the years ended		
	31 December 2019	**31 December 2018**	**31 December 2017**
(US$ millions)			
Operating profit	12.1	7.4	9.6
Depreciation and amortisation	1.3	0.8	0.9
EBITDA	13.4	8.2	10.5

Pro forma financial information

In this document, any reference to "pro forma" financial information is to information which has been extracted without material adjustment from the unaudited financial information contained in Part V (*Unaudited Pro forma Financial Information relating to the Enlarged Group*) of this document.

The Unaudited Pro forma Financial Information is for illustrative purposes only. Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the actual financial position or results of the Avon Rubber Group or the Enlarged Group.

Future results of operations may differ materially from those presented in the Unaudited Pro forma Financial Information due to various factors.

Rounding

Percentages in tables have been rounded and accordingly may not add up to 100%. Certain financial data have also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

Currency

All references to "pounds", "pounds sterling", "sterling", "£", "GBP", "pence" and "p" are to the lawful currency of the United Kingdom and all references to "U.S. dollars", "dollar", "US$", "USD", and "cents" are to the lawful currency of the United States.

On the Latest Practicable Date, the exchange rate of U.S. dollars to pounds sterling was US$1.2999 = £1.

No Profit forecast or estimates

No statement in this document is intended as a profit forecast or estimate and no statement in this document should be interpreted to mean that earnings per share for the most recent, current or future financial years would necessarily match or exceed the historical published earnings per share.

Incorporation by reference

Neither the content of Avon Rubber's website nor Team Wendy's website, nor the content of any website accessible from hyperlinks on Avon Rubber's website or Team Wendy's website, is incorporated into, or forms part of, this document and investors should not rely on them, without prejudice to the documents incorporated by reference into this document which will be made available on Avon Rubber's website.

Definitions

Capitalised terms have the meaning ascribed to them in Part VII (*Definitions*) of this Circular.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the Acquisition	9 September 2020
Publication and posting of this document, the Notice of General Meeting and the Form of Proxy	11 September 2020
Latest time and date for receipt of Forms of Proxy	9:00 a.m. on 24 September 2020
General Meeting	9:00 a.m. on 28 September 2020
Long Stop Date for Completion	31 December 2020

Unless otherwise stated, references to times in this document and in the expected timetable above are to London time. Future dates are indicative only and are subject to change by Avon Rubber, in which event details of the new times and dates will be notified to the FCA and, where appropriate, Shareholders.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	David Evans (*Non-Executive Chair*) Paul McDonald (*Chief Executive Officer*) Nick Keveth (*Chief Financial Officer*) Bindi Foyle (*Non-Executive Director*) Chloe Ponsonby (*Non-Executive Director*) Bruce Thompson (*Non-Executive Director and Chair Designate*) Pim Vervaat (*Non-Executive Director*)
Company Secretary	Miles Ingrey-Counter
Registered Office	Hampton Park West Semington Road Melksham Wiltshire SN12 6NB England
Sole Sponsor and Lead Financial Adviser	Evercore Partners International LLP 15 Stanhope Gate London W1K 1LN
Financial Adviser	William Blair International, Limited The Broadgate Tower 20 Primrose Street, 17th Floor London EC2A 2EW
Legal Advisers to the Company	White & Case LLP 5 Old Broad Street London EC2N 1DW
Reporting Accountants	PricewaterhouseCoopers LLP 1 Embankment Place Charing Cross London WC2N 6RH
Registrars	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PART I

LETTER FROM THE CHAIR

AVON RUBBER P.L.C.

(*Incorporated and registered in England and Wales with registered number 00032965*)

Directors:	***Registered Office:***
David Evans	Hampton Park West
Paul McDonald	Semington Road
Nick Keveth	Melksham
Bindi Foyle	Wiltshire
Chloe Ponsonby	SN12 6NB
Bruce Thompson	England
Pim Vervaat	

11 September 2020

To the holders of Ordinary Shares

Dear Shareholder,

Proposed Acquisition of Team Wendy, LLC and Notice of General Meeting

1. Introduction

On 9 September 2020, Avon Rubber announced that its wholly-owned U.S.-based subsidiary, Avon Protection Systems, Inc. ("**Avon Protection**") had agreed to acquire all of the membership interests of Team Wendy, LLC ("**Team Wendy**"), a manufacturer of ballistic and impact protection helmets as well as helmet liner and retention systems, primarily for military and first responder use, for US$130 million (approximately £100 million) on a cash-free and debt-free basis, subject to a normalised level of working capital (the "**Acquisition**").

Due to its size, the Acquisition constitutes a Class 1 transaction under the Listing Rules. Avon Rubber is therefore required to seek the approval of its Shareholders for the Acquisition by way of an ordinary resolution (the "**Acquisition Resolution**") at a General Meeting. As the completion of the Acquisition (the "**Completion**") is conditional on receiving this approval (among certain other requirements), Shareholders will be asked to vote in favour of the Acquisition Resolution.

Avon Rubber intends to finance the Acquisition, and related fees and expenses, from the proceeds of the sale of its milkrite | InterPuls business (the "**Dairy Disposal**") announced on 2 July 2020. If Completion occurs prior to completion of the Dairy Disposal, Avon Rubber will finance the Acquisition through a new US$200 million revolving credit facility entered into on 8 September 2020 (the "**New RCF**"), which will be repaid following completion of the Dairy Disposal. Following completion of the Acquisition and the Dairy Disposal it is intended that the New RCF will be used to support Avon Rubber's medium-term growth objectives, including financing potential future acquisitions in line with Avon Rubber's growth strategy. See paragraph 7 of this Part I for further information on the financing of the Acquisition and paragraph 7 of Part VI (*Additional Information*) for further information on the New RCF.

In connection with Avon Rubber's entry into the New RCF, the Board considers it commercially prudent and timely to amend Avon Rubber's articles of association (the "**Articles**") to increase the permitted borrowing limit set out in the Articles (which is currently limited to two times its capital and consolidated reserves (as such terms are defined in the Articles)) to three times its capital and consolidated reserves (as such terms are defined in the Articles). The proposed amendment to the Articles to increase the borrowing limit will require the approval of Shareholders by way of special resolution (the "**Borrowing Limit Resolution**"). If the Borrowing Limit Resolution is approved, Avon Rubber will also have the flexibility to utilise an additional accordion facility of up to US$50 million under the New RCF. Neither the Acquisition, nor the entry into (or draw down under) the New RCF is conditional on the Borrowing Limit Resolution being passed. See paragraph 8 of this Part I for further information on the proposed amendments to the Articles.

Accordingly, at the end of this document there is a notice convening a General Meeting to be held at 9:00 a.m. on 28 September 2020. The General Meeting will be convened electronically in accordance with the 2020 Act. The Notice of General Meeting can be found at the end of this document.

I am writing to provide you with an explanation of the background to and reasons for the Acquisition and to explain why the Board considers the Acquisition to be in the best interests of Avon Rubber and its Shareholders as a whole. The Board unanimously recommends that you vote in favour of the Resolutions, as the Directors intend to do in relation to their own holdings, which, as at the Latest Practicable Date, amounted to approximately 0.28% of Avon Rubber's total issued ordinary share capital.

You should read the whole of this Circular and not rely solely on the summarised information contained in this Part I (*Letter from the Chair*).

2. Background to and reasons for the Acquisition

2.1 *Background and strategy*

Avon Rubber has a clear strategy to generate sustainable growth over the medium-term. In line with this strategy, in recent years, Avon Rubber has developed into a leading supplier of life-critical personal protection systems to its military and first responder customer base.

Avon Rubber focuses on three key strategic objectives:

1. grow Avon Rubber's core business by maximising organic sales growth from within the current product portfolio and improving operational efficiency;

2. maintain Avon Rubber's position as an innovator by pursuing selective product development; and

3. target value-enhancing acquisitions to complement Avon Rubber's existing businesses and develop additional growth opportunities for the Group.

In targeting value-enhancing acquisitions, Avon Rubber maintains a clear focus on capital discipline, ensuring opportunities meet its financial and commercial criteria.

Successful execution against Avon Rubber's strategic objectives over recent years has delivered strong returns for Shareholders.

The last three years have been a transformational period for Avon Rubber with strong progress made against its strategic objectives. Within Avon Protection, the legacy respiratory product portfolio has been significantly enhanced and broadened with a number of multi-year military contracts for next generation products. Avon Protection's next generation respiratory products are sold under long-term contracts at similar or higher margins than Avon Protection's legacy products, ensuring that the business is positioned for sustainable growth over the medium-term.

On 7 August 2019, Avon Rubber agreed to acquire 3M's ballistic protection business ("**Helmets & Armor**") for an initial cash consideration of US$91 million and contingent consideration of up to US$25 million depending on the outcome of pending tenders. By integrating Helmets & Armor with Avon Protection, Avon Protection has become a leading provider of life-critical personal protection systems with leading positions within the global respiratory and next generation ballistic protection markets. The Directors believe that the acquisition of Helmets & Armor has significantly strengthened Avon Protection's technology proposition, R&D capabilities and product offering by adding leading next generation helmets and body armor capabilities. The acquisition of Helmets & Armor also deepened Avon Protection's already strong relationship with the U.S. Department of Defense (the "**DoD**") as a key supplier of helmets and body armor and has resulted in new opportunities to sell the helmets and body armor to Avon Protection's existing rest of world and first responder customers. Since completion of the acquisition of Helmets & Armor, as previously announced, Avon Protection has secured long-term body armor contracts valued up to US$600 million with the DoD.

On 2 July 2020, Avon Rubber announced that it had signed an agreement to sell milkrite | InterPuls to DeLaval Holding BV for a cash consideration of £180 million on a cash and debt free basis. Following the Dairy Disposal, Avon Rubber will comprise solely of the Avon Protection business. As announced, Avon Rubber intends to use net proceeds of the Dairy Disposal to strengthen its balance sheet and fund further value-enhancing acquisitions to deliver significant strategic and financial value to Shareholders and enhance capabilities within its target markets.

2.2 ***Rationale for the Acquisition***

The Acquisition will be an important step in the strategic development of Avon Rubber as a leading provider of life-critical personal protection systems to the military and first responder markets. The Directors believe that combining Team Wendy with Helmets & Armor will create a global leader in military and first responder helmets with a broader product portfolio and stronger capabilities and routes to market.

The combination of Helmet & Armor's ballistic shell forming capabilities and Team Wendy's liner and retention system technology will result in the Enlarged Group being able to offer a wider range of helmets, with Team Wendy providing an established rest of world military and first responder customer base and portfolio of ballistic and impact protection helmets, which complements Helmets & Armor's next generation ballistic protection offering.

In addition to the broader strategic rationale, the Acquisition meets the specific financial and commercial criteria established by Avon Rubber, ensuring a clear focus on capital discipline:

Team Wendy has a leading position with strong brand recognition in an attractive growth market

The Directors believe that Team Wendy is well-positioned in its core markets. It has a strong record of growth and an attractive product portfolio supported by proprietary technology. The Team Wendy brand name is well respected and widely recognised for its high-quality products, commitment to safety and advanced technological capabilities. A combination of Avon Protection and Team Wendy will bring together two leading brands, creating a strong product range of respiratory, ballistic and impact protection products. This portfolio will provide a platform into which other technologies can be incorporated, enhancing product effectiveness and better protecting the user.

Team Wendy has a strong, longstanding management team, which will be retained and incentivised as part of the Acquisition

Team Wendy has a strong management team, led by its Chief Executive Officer, Jose Rizo-Patron. Both Mr Rizo-Patron and the management team are expected to continue in their roles following Completion.

The business currently operates from one location in Cleveland, Ohio, employing approximately 130 employees as of 31 March 2020. Given the complementary nature of the Team Wendy business to Avon Protection's existing helmets business, Avon Rubber intends to operate Team Wendy on a stand-alone basis.

Team Wendy has strong differentiated technology, which will broaden Avon Protection's product range

Since being founded in 1997, Team Wendy has invested in R&D relating to impact protection capabilities and helmet shell forming. Over time, the business has developed advanced proprietary technology relating to helmet liner and retention systems. As the business expanded from individual component sales to full helmet systems, the use of this technology has led to multiple product design innovations and the development of a comprehensive and leading range of ballistic and impact protection helmets.

Team Wendy offers good opportunities for expanding Avon Protection's geographic reach and cross-selling to a complementary customer base

Team Wendy's diversified customer base of military and first responder users, both in the U.S. and internationally, represents a core strength of the business, ensuring it is not reliant on any single customer or contract. In the financial year ending 31 December 2019, Team Wendy's helmet systems were sold in over 50 countries, with 39% of its revenue generated outside the U.S. Team Wendy has a strong track record of delivering international growth with repeat orders secured from the world's leading militaries and security forces. Team Wendy has also delivered strong historical revenue growth rates due to its competitive and high-quality product offering.

The Directors believe that Team Wendy's well-established global footprint will significantly enhance Avon Protection's existing international helmet business, providing a wider product offering and an installed customer base. The Directors also believe that the Enlarged Group will have better scale and an enhanced route to market, with Team Wendy's complementary customer base expected to provide significant business development opportunities over the medium-term.

Compelling financial returns for Shareholders

The Directors believe that the Acquisition represents a compelling opportunity to reinvest the proceeds from the Dairy Disposal, through the redeployment of capital into a higher growth and margin business at a lower EBITDA multiple than obtained from the Dairy Disposal.

The Directors believe that the Acquisition will enhance Shareholder value, representing an immediate and value-enhancing use of proceeds from the Dairy Disposal.

The Directors believe that Team Wendy's organic revenue growth, margins and cash conversion potential are in line with Avon Rubber's strategic growth objectives and that Team Wendy will contribute positively to the Enlarged Group from Completion.

The Purchase Price (as defined below) at an enterprise value of £100 million (US$130 million) represents a valuation multiple representing 9.7x FY19 reported EBITDA of US$13.4 million. The Directors believe that the Acquisition is financially attractive and is in line with Avon Rubber's stated financial performance criteria for value-enhancing acquisitions, as set out below.

1. The Directors believe that the Acquisition will be earnings accretive in the first full financial year after Completion, both on a standalone basis and after the Dairy Disposal, before the delivery of revenue or cost synergies.

2. Team Wendy has delivered strong organic revenue and profit growth, high-recurring EBITDA margins (FY2019: US$13.4 million (30.3%); FY2018: US$8.2 million (27.9%) and FY2017: US$10.5 million (38.6%)) and a track record of strong cash conversion.

3. The Directors believe that Team Wendy will be able to generate a return on invested capital in excess of Avon Rubber's current WACC within the first two years of ownership.

4. Following completion of the Acquisition and the Dairy Disposal, the Directors believe Avon Rubber will be able to deliver a higher return on capital employed than prior to both transactions.

5. Avon Rubber will retain a strong balance sheet and the Directors anticipate Avon Rubber will have a net cash position following completion of the Acquisition and the Dairy Disposal.

3. Information on Team Wendy

Team Wendy is a leading supplier of helmets and helmet liner and retention systems for military and first responder markets. Team Wendy was founded in 1997 and is a family-owned company based in Cleveland, Ohio. Team Wendy places a strong focus on the prevention of traumatic brain injury in honour of the company's namesake and daughter of its founder, Wendy Moore.

Team Wendy initially focused on manufacturing and distributing ski helmets before transitioning to designing and developing ballistic and non-ballistic helmets as well as helmet liner and retention systems for military and first responder markets. In 2019, Team Wendy's revenue was US$44.2 million of which (i) 64% was generated from helmets, 31% from liner and retention systems and 5% generated from other products;

(ii) 81% was generated from military users and 19% from first responders; and (iii) 61% was generated from U.S. users (including the U.S. Military, U.S. Department of Homeland Security, U.S. Department of Justice and National Industries for the Blind (NIB)/AbilityOne Program) and 39% from rest of world users.[1]

Team Wendy has customers in over 50 countries across military, law enforcement and search and rescue segments. In Australia, Team Wendy ballistic helmets are the current program of record helmets for the Australia Defence Force (ADF). Team Wendy has sold over 40,000 ballistic helmets to ADF to date. Team Wendy also supplies products to elite military, law enforcement and search and rescue agencies in Europe, Asia, Latin America and the Middle East.

Team Wendy products are manufactured in an approximately 137,000 square foot facility in Cleveland, Ohio. Team Wendy had approximately 130 employees as of 31 March 2020.

Team Wendy is dedicated to the pursuit of improving head protection research, design and development of advanced head-borne systems, bringing more choice, better technology and reliable customer service to the industry.

4. Information on Avon Rubber

Avon Rubber is listed on the London Stock Exchange (LSE: AVON) and is a constituent of the FTSE 250 Index.

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

Avon Protection is a leading provider of life-critical personal protection systems with leading positions within the global respiratory and next generation ballistic protection markets for the world's militaries and first responders.

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.

On 2 July 2020, Avon Rubber announced that it had signed an agreement to sell milkrite | InterPuls to DeLaval Holding BV for a cash consideration of £180 million on a cash and debt free basis. The transaction is subject to customary closing conditions and regulatory approvals, with completion expected to take place in the first quarter of our 2021 financial year.

5. Integration and management

Team Wendy has a strong management team, led by Chief Executive Officer Jose Rizo-Patron, who is expected to continue to lead the business following Completion. Mr Rizo-Patron will report to the Avon Rubber's Chief Executive Officer and will join Avon Rubber's Group Executive. Team Wendy will continue to operate from its base in Cleveland, Ohio. Avon Rubber has put in place an integration plan to facilitate Team Wendy's transition into the Avon Rubber Group. Team Wendy management will be incentivised to drive the continued growth of the business, aligned with the objectives of the Enlarged Group going forward. Avon Rubber expects to incur one-off integration costs of up to £0.5 million in its financial year ending 30 September 2021.

6. Summary of the principal terms of the Acquisition

Acquisition Agreement

On 8 September 2020, Avon Rubber, Avon Protection, a wholly-owned subsidiary of Avon Rubber, and the equity holders of Team Wendy (the "**Sellers**"), entered into a certain equity purchase agreement (the "**Acquisition Agreement**"), which sets out the terms pursuant to which Avon Protection is expected to

1 The geographical revenue split by end customer as referenced to in paragraph 3 of this Part I has been prepared on a different basis than that disclosed in the set out in Part IV (Historical Financial Information of Team Wendy) of this document. The figures disclosed in paragraph 3 of this Part I are based off the audited numbers but include management estimates for the actual end destination of Team Wendy products vs strict location of the immediate customer or intermediary. This difference is mainly driven by distributors who resell Team Wendy products to customers in other countries.

purchase all of the membership interests of Team Wendy ("**Team Wendy Equity Interests**"). Upon Completion, Avon Protection will hold all of the Team Wendy Equity Interests.

The total consideration for the Team Wendy Equity Interests is US$130 million (the "**Purchase Price**"), which is subject to adjustments downwards in relation to indebtedness and the transaction expenses incurred by Team Wendy, upwards for cash, and upwards or downwards, as applicable, for working capital deviations from an agreed target.

Under the Acquisition Agreement, the Sellers have made customary representations and warranties to Avon Protection, and Avon Rubber and Avon Protection have made customary representations and warranties to the Sellers. The representations and warranties of Avon Rubber, Avon Protection and the Sellers involving organisation, good standing, power, authorisation, ownership of the Team Wendy Equity Interests, Team Wendy's capitalisation and subsidiaries, ownership of intellectual property and broker's and finder's fees survive for a period of five years from the date of Completion (the "**Completion Date**"), the representations and warranties relating to tax matters survive for a period of 60 days following the final expiration of the applicable statute of limitations, and all other representations and warranties generally survive for a period of 12 months after the Completion Date.

Avon Protection, with each party paying an equal portion of the total costs and associated fees, has obtained a representation and warranty insurance policy up to a maximum coverage of US$26 million (the "**RWI Policy**") in respect of the Seller's representations and warranties contained in the Acquisition Agreement, subject to certain specified retention and limitations agreed with the insurer.

As a general matter, Avon Protection's sole recourse for inaccuracies with respect to the representations and warranties in the Acquisition Agreement is an indemnity escrow amount of US$650,000 (0.5% of the Purchase Price) and the RWI Policy, except for representations relating to tax matters and fundamental representations such as those relating to organisation, good standing, power, authorisation, ownership of the Team Wendy Equity Interests, Team Wendy's capitalisation and subsidiaries, ownership of intellectual property and broker's and finder's fees.

Shareholder approvals

Due to its size, the Acquisition constitutes a Class 1 transaction under the Listing Rules. As such, Avon Rubber is seeking the approval of Shareholders for the Acquisition at the General Meeting, which has been convened for 9:00 a.m. on 28 September 2020. Shareholders will be asked to vote in favour of the Acquisition Resolution.

The Directors intend to vote in favour of the Acquisition Resolution in relation to their own beneficial holdings, which, as at the Latest Practicable Date, amounted to approximately 0.28% of Avon Rubber's existing issued ordinary share capital.

Conditions

Completion under the Acquisition Agreement is subject to, and can only occur upon satisfaction or (to the extent permitted by law) waiver of, a number of outstanding conditions (the "**Conditions**"), including, but not limited to:

(a) the Avon Rubber Shareholder Approval having been obtained;

(b) the expiry or termination of the applicable waiting period (and any extension thereof) under the HSR Act;

(c) the cancellation or termination of Team Wendy's registration under Part 122 of the International Traffic in Arms Regulations by the DDTC or the expiration of a waiting period of 60 days following Team Wendy's submission of a notice to the DDTC with respect to the Acquisition;

(d) receipt of written notice from CFIUS stating that it has determined there are no unresolved national security concerns with the Acquisition, no review of the Acquisition is applicable under the DPA, or no further review of the Acquisition is requested, or that following a referral to the President of the United States no action will be taken by the President of the United States to suspend or prohibit the Acquisition as further detailed in Part III (*Principal Terms of the Acquisition*) below;

(e) the representations and warranties of Avon Protection and the Sellers being true and correct as of the Completion Date, subject to certain customary materiality qualifiers; and

(f) no Material Adverse Effect has occurred.

Termination rights and termination fee

The Acquisition Agreement contains customary termination rights, including termination upon: (i) mutual written consent of the parties; (ii) by either party if any court or governmental entity restrains, enjoins or otherwise prohibits the Acquisition; (iii) by either party if Avon Rubber fails to obtain Avon Rubber Shareholder Approval; (iv) by either party if the Acquisition has not closed by the Long Stop Date; (v) by either party if the representations and warranties of the other party fail to be true and correct subject to certain customary materiality qualifiers and opportunities to cure; (vi) if there is a material breach by the respective other party of any covenant or agreement in the Acquisition Agreement; (vii) by either party in the event the Board changes its recommendation that Shareholders vote in favour of the Acquisition Resolution and the Acquisition Resolution is not submitted to a shareholder vote; or (viii) by either party in the event of a CFIUS Turndown.

Under the Acquisition Agreement, Avon Rubber and Avon Protection are jointly and severally required to pay a termination fee of US$5 million to the Sellers if the Acquisition Agreement is terminated (i) as a result of Avon Rubber's failure to obtain the Avon Rubber Shareholder Approval; (ii) due to the Board changing its recommendation that Shareholders vote in favour of the Acquisition Resolution and the Acquisition Resolution is not submitted to a shareholder vote; (iii) as a result of a CFIUS Turndown; or (iv) as a result of (A) any court or other governmental entity has restraining, enjoining or otherwise prohibiting the Acquisition; or (B) the Acquisition not having closed by the Long Stop Date, so long as, in each case (A) and (B), Sellers would have been entitled to terminate at such time for the representations and warranties of Avon Protection failing to be true and correct subject to customary materiality qualifiers but for termination due to such court or governmental prohibition or Long Stop Date termination.

Further details regarding the other material terms contained within the Acquisition Agreement are set out in Part III (*Principal Terms of the Acquisition*).

7. Financing of the Acquisition

In the event that Completion occurs prior to completion of the Dairy Disposal, Avon Rubber will finance the Acquisition through the New RCF, which will be repaid following completion of the Dairy Disposal.

The Dairy Disposal, as announced on 2 July 2020, is subject to customary closing conditions and regulatory approvals, with completion expected to take place in the first quarter of our 2021 financial year. Avon Rubber expects to receive net proceeds before customary adjustments of approximately £160 million following completion of the Dairy Disposal. Avon Rubber has agreed with the trustees of its U.K. pension scheme to make a one-time contribution of £20 million to strengthen the scheme's funding position following completion of the Dairy Disposal. In the event that completion of the Dairy Disposal occurs prior to Completion, Avon Rubber will use the net remaining proceeds to finance the Acquisition.

Following completion of the Acquisition and the Dairy Disposal it is intended that the New RCF will be used to support Avon Rubber's medium-term growth objectives, including financing potential future acquisitions in line with Avon Rubber's growth strategy.

8. Amendment to the Articles

Article 101.2 (Borrowing Powers) of the Articles provides that Avon Rubber's borrowings should not exceed two times its capital and consolidated reserves (as defined in the Articles). In connection with Avon Rubber's entry into the New RCF, the Board considers it commercially prudent and timely to increase this permitted borrowing limit to three times its capital and consolidated reserves (as such terms are defined in the Articles). If the Borrowing Limit Resolution is approved, Avon Rubber will also have the option to utilise an additional accordion facility of up to US$50 million under the New RCF and have greater flexibility to respond to future needs of the Group, including strategic investment and acquisition opportunities.

Accordingly, Avon Rubber is seeking the approval of its Shareholders to sanction an increase in permitted borrowings of up to three times share capital and consolidated reserves (as defined in the Articles). The Directors consider this to be the appropriate borrowing limit for the Group going forward.

Neither the Acquisition, nor the entry into (or draw down under) the New RCF is conditional on the Borrowing Limit Resolution being passed.

The Directors intend to vote in favour of the Borrowing Limit Resolution in relation to their own beneficial holdings, which, as at the Latest Practicable Date, amounted to approximately 0.28% of Avon Rubber's existing issued ordinary share capital.

9. Current trading and prospects for Avon Rubber and Team Wendy

9.1 ***Avon Rubber***

On 19 May 2020, Avon Rubber released its interim results for the six months ended 31 March 2020, extracts of which are set out below:

Strategic and Operational Highlights

- *Avon Protection organic revenue growth reflected strong Military and First Responder performance*
- *Acquisition of 3M's ballistic protection business ("**Helmets & Armor**") completed on 2 January; integration with Avon Protection is progressing as planned and on track to deliver the anticipated synergies of $5m*
- *Next generation VTP XSBI body armor, 4-year $265m dual source contract secured with U.S. Department of Defense ("**DOD**")*
- *3-year legacy ESAPI body armor contract with a value of up to $333m secured with U.S. DOD*
- *Strong revenue performance for milkrite | InterPuls across all lines of business, supported by positive dairy market conditions*
- *Trading continued in line with expectations in the second half to date of the announcement*

Financial Highlights

- *Revenue growth of 28.7%, comprising 9.5% organic constant currency growth, an 18.8% contribution from the acquisition and a small 0.4% currency tailwind*
- *Adjusted EBITDA margin of 21.8%, up 330bps on a constant currency basis, with uplifts in both Avon Protection and milkrite | InterPuls*
- *Organic operating cash conversion of 20.1% impacted by delayed receipt from the $16.6m Rest of World mask contract, excluding this one-off item organic cash conversion was 102.9%*
- *Net debt of £66.9m following completion of the Helmets & Armor acquisition, includes lease liabilities of £21.1m*
- *Strong balance sheet and good liquidity; fully compliant with all debt facility covenants with significant headroom*
- *Interim dividend per share of 9.02p, up 30.0%, reflected our continued commitment to our progressive dividend policy and positive outlook*

Outlook

- *Board remained confident of achieving its expectations for the current financial year*
- *Long-term contracts and order book of £115.5m provided excellent revenue visibility going into the second half of 2020 and beyond*

In the Acquisition Announcement, Avon Rubber included a trading update, an extract of which is set out below:

Trading Update

The Board is pleased to report that Avon Protection and milkrite | InterPuls have both continued to operate and trade in line with our expectations, as outlined in the half year results announcement on 19 May 2020. The Board therefore remains confident of achieving its current year expectations.

Demand for the products of both businesses has remained robust. In particular, we have continued to see strong demand from First Responders across the entire respiratory protection product range and global dairy market conditions have remained positive, driving strong order intake.

The COVID-19 pandemic has resulted in only minor disruption across our businesses, with demand remaining strong and operational efficiency enhanced by short term cost savings as a result of our response to lockdown conditions.

Full year cash conversion is expected to return to normalised levels, following receipt of the delayed payment relating to the Rest of World mask contract highlighted in our half year results announcement.

Change of Reporting Currency

Once the acquisition of Team Wendy and divestment of milkrite | InterPuls has been completed the Group's activities will be predominantly conducted in U.S. dollars, with approximately 90% of revenues and 100% of borrowings in U.S. dollars. As such, Avon Rubber intends to change its reporting currency to U.S. dollars for its 2021 financial year.

Following the change in reporting currency, dividends for the 2021 financial year and beyond will be set in U.S. dollars and converted into pounds sterling for payment at the prevailing exchange rate immediately prior to payment.

9.2 ***Team Wendy***

Team Wendy has performed well in the current calendar year despite macro-economic headwinds related to COVID-19 and continues to win numerous orders from its diversified customer base. Revenue for the seven months ended 31 July 2020 was US$25.4 million, with an estimated EBITDA of US$7.1 million. During the same period in 2019, revenue was US$24.4 million and EBITDA was US$6.7 million. EBITDA in the period was impacted by one-time costs related to COVID-19 mitigation planning and the production of over 15,000 masks for donations to local Cleveland, Ohio hospitals offset by lower selling, general and administrative expenses mainly due to limited trade shows and travel expenditure.

Team Wendy's helmet sales across key U.S. federal, state and local military, law enforcement and search and rescue customers remain favourable, with an increase in aggregate revenue from the sale of ballistic and non-ballistic helmets. However, as a result of DoD logistics and budgetary issues resulting from COVID-19, the pace of standard issue ballistic helmet liner systems deliveries to the DoD were tracking below Team Wendy's annual plan. The Directors believe that deliveries will normalise again towards the end of the U.S. government fiscal year (which ends on 30 September 2020) and throughout the balance of the calendar year.

The Directors believe that the outlook for the Team Wendy business remains favourable despite the challenging macro-economic environment.

10. General Meeting

Set out at the end of this document is a notice convening the General Meeting which is to be held at 9:00 a.m. on 28 September 2020 at which the Resolutions will be proposed. The Resolutions are set out in full at the end of this document in the Notice of General Meeting. In order to be passed: (i) the Acquisition Resolution requires the approval of Shareholders representing a simple majority of the votes cast (by proxy) at the meeting; and (ii) the Borrowing Limit Resolution requires the approval of Shareholders representing three-quarters of the votes cast (by proxy) at the meeting.

The General Meeting will be convened electronically in accordance with the 2020 Act.

In response to the COVID-19 pandemic, the U.K. Government has introduced the Measures. On 26 June 2020, the U.K. Government enacted the 2020 Act, which introduces flexible arrangements to allow U.K. companies to hold general meetings. The Board has been closely monitoring the ongoing impact of COVID-19 in the United Kingdom, and has carefully considered the Measures, the 2020 Act and public health guidance. The Board has also taken into account the latest guidance relating to the organisation of general meetings published by ICSA/CLLS on 9 July 2020 and BEIS/FRC on 8 June 2020. Protecting the safety and wellbeing of our shareholders, Avon Rubber employees and the public is of paramount importance to the Board. The Board is also cognisant of the evolving situation and potential for future, localised lockdowns. The Board has therefore decided to convene the General Meeting electronically in accordance with the provisions of the 2020 Act.

Shareholders should vote by way of proxy in advance of the General Meeting. It is important that you complete, sign and return a Form of Proxy in accordance with the instructions printed on it or vote electronically as set out below. To ensure your vote is counted, you should appoint the 'Chair of the meeting' as your proxy.

The Company will be providing a listen-only webcast facility to enable shareholders to follow the proceedings of the General Meeting remotely. All Shareholders are encouraged to use this facility and follow the proceedings of the General Meeting in real time if they wish to do so. Despite the current exceptional circumstances, the Board is keen to maintain engagement with Shareholders. Shareholders can put a question to the Board relating to the business to be conducted at the General Meeting by submitting a question in advance through the webcast facility. Any questions must be received by 9:00 a.m. on 24 September 2020. The Board will respond to these questions during the General Meeting. The Company reserves the right to consolidate questions of a similar nature. The Company is not required to answer questions if (i) doing so would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information; (ii) the answer has already been given on the Company's website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered. Shareholders will receive details on the webcast facility separately. Shareholders with questions about the webcast facility should email enquiries@avon-rubber.com. Shareholders using the webcast facility will not be able to vote or ask questions using this service during the General Meeting.

Shareholders can obtain a copy of the Form of Proxy from the Company's Registrar. Please refer to the notes to the Notice of the General Meeting set out at the end of this document for further details. You are asked to complete and return the relevant Form of Proxy in accordance with the instructions set out in it as soon as possible and, in any event, so as to be received by the U.K. Registrar at Link Asset Services, Beckenham Road, Beckenham, Kent, BR3 4ZF by no later than 9:00 a.m. on 24 September 2020 (or, in the case of an adjournment, no later than 48 hours before the time fixed for the holding of the adjourned meeting).

You may submit your proxy electronically at www.signalshares.com using your Investor Code, which can be found on your share certificate or dividend notification. If you are a member of CREST you may be able to use the CREST electronic proxy appointment service. Proxies sent electronically must be sent as soon as possible and, in any event, so as to be received by not later than 9:00 a.m. on 24 September 2020 (or, in the case of an adjournment, not later than 48 hours (excluding any part of a day that is not a working day) before the time fixed for the holding of the adjourned meeting).

Please refer to the Notice of General Meeting set out at the end of this document for guidance.

11. Financial advice

The Board has received financial advice from Evercore in relation to the Acquisition. In providing its financial advice to the Board, Evercore has relied upon the Board's commercial assessment of the Acquisition.

12. Recommendation

In the Board's opinion, the Acquisition is in the best interests of Shareholders as a whole. Accordingly, the Board unanimously recommends Shareholders to vote in favour of the Resolutions to be proposed at the General Meeting, as the Directors intend to do in respect of their own beneficial shareholdings of Ordinary Shares, representing approximately 0.28% of Avon Rubber's issued ordinary share capital as at the Latest Practicable Date.

Yours sincerely

David Evans
Chair

PART II

RISK FACTORS

The Acquisition may give rise to a number of risks which, if they occur, may have a material adverse effect on the business, prospects, financial condition and/or results of operations of the Avon Rubber Group, Team Wendy and, following Completion, the Enlarged Group. Accordingly, the risk factors should be afforded careful consideration together with all the other information set out in, or incorporated by reference into, this document in deciding whether to approve the Resolutions being put to the Shareholders at the General Meeting.

The risks which the Directors consider to be material as at the date of this document are set out in this Part II. The risks described in this Part II are based on information known at the date of this document but may not be the only risks to which the Avon Rubber Group, Team Wendy and, following Completion, the Enlarged Group are or might be exposed.

Additional risks and uncertainties, which are currently unknown to the Avon Rubber Group or that the Avon Rubber Group does not currently consider to be material, may adversely affect the business of the Avon Rubber Group and, following Completion, the Enlarged Group and could have material adverse effects on the business, prospects, financial condition and/or results of operations of the Avon Rubber Group, Team Wendy and, following Completion, the Enlarged Group.

If any of the following risks were to materialise, the business, prospects, financial condition and/or results of operations of the Avon Rubber Group, Team Wendy and, following Completion, the Enlarged Group could be materially adversely affected and the value of Ordinary Shares could decline and Shareholders could lose all or part of their investment in those Ordinary Shares.

Shareholders should read this document as a whole and not rely solely on the information set out in this section.

1. Material risks relating to the Acquisition

1.1 ***The Acquisition is conditional upon certain conditions which may not be satisfied***

Completion is conditional upon, among others, the satisfaction or waiver of the following Conditions:

- the approval of the Acquisition (as a Class 1 transaction under the Listing Rules) by Shareholders passing the Acquisition Resolution at the General Meeting;
- the expiration or termination of the applicable waiting period under the HSR Act;
- the cancellation or termination of Team Wendy's registration under Part 122 of the International Traffic in Arms Regulations by the DDTC or the expiration of a waiting period of 60 days following Team Wendy's submission of a notice to the DDTC with respect to the Acquisition;
- receipt of written notice from CFIUS stating that it has determined there are no unresolved national security concerns with the Acquisition, no review of the Acquisition is applicable under the DPA, or no further review of the Acquisition is requested, or that following a referral to the President of the United States no action is taken by the President of the United States to suspend or prohibit the Acquisition; and
- the representations and warranties of the Sellers being true and correct in all respects as at the Completion Date, subject to certain exemptions based on materiality, material adverse effect and similar standards.

Pursuant to the requirements of the HSR Act, Avon Protection and the Sellers each filed a Notification and Report Form with respect to the Acquisition with the U.S. Federal Trade Commission (the "**FTC**") and the U.S. Department of Justice (the "**DoJ**") on 24 August 2020. A transaction is reportable under the HSR Act if the acquirer will hold voting securities, non-corporate interests, or assets valued above US$94 million. As the Purchase Price is US$130 million, an HSR filing is required. Under the requirements of the HSR Act, Avon Rubber must submit competitive and evaluative deal documents, revenues, a copy of the signed agreement (or alternatively, a signed letter of intent or term sheet), and other pieces of information. Reportable transactions cannot close until the initial HSR 30-day waiting period expires. The initial 30-day waiting period will expire at the end of the day on 23 September 2020.

Avon Protection and Team Wendy filed a voluntary declaration with CFIUS in accordance with the DPA with respect to the Acquisition on 6 August 2020. Given the nature of Team Wendy's business, the parties elected to notify CFIUS of the Acquisition. The declaration is a short-form CFIUS notification option that is assessed in a shorter period of time than a joint voluntary notice. CFIUS accepted such declaration on 11 August 2020. Following its assessment of the declaration, CFIUS may clear the Acquisition, advise that it cannot clear the Acquisition based on the declaration but not request a joint voluntary notice, or request that Avon Protection and Team Wendy submit a joint voluntary notice with respect to the Acquisition. A joint voluntary notice would include additional information not required under a declaration and be subject to a longer timeline (following CFIUS's acceptance of a joint voluntary notice, CFIUS has a 45 calendar days for its initial review and potentially an additional 45 calendar days for any investigation). If CFIUS has national security concerns regarding the Acquisition, they would be addressed during the review or investigation (for example through proposed mitigation requirements). On 9 September 2020, CFIUS notified the parties in writing that based upon its assessment of the declaration, CFIUS has determined that there are no unresolved national security concerns with respect to the Acquisition and has concluded action under the DPA. The CFIUS Condition has therefore been satisfied.

There is no guarantee that the Conditions will be satisfied (or waived, if applicable) in the necessary time frame and the Acquisition may, therefore, be delayed or not completed. Satisfying the Conditions may take longer than Avon Rubber and the Sellers expect and could impact expected costs. Any delay in completing the Acquisition may adversely affect any synergies and other benefits that Avon Rubber may achieve if the Acquisition is not completed within the expected timeframe. In addition, Avon Rubber's and Team Wendy's management would have spent significant time in connection with the Acquisition, which could otherwise have been spent in connection with the other activities of the Avon Rubber Group and Team Wendy, as applicable.

Therefore, the aggregate consequences of a material delay in completing or failure to complete the Acquisition may have a material adverse effect on the business, prospects, financial condition and/or results of operations of the Avon Rubber Group, Team Wendy and, in the case of a delay only, the Enlarged Group.

1.2 ***The Acquisition may impact relationships with strategic partners of the Avon Rubber Group and Team Wendy and could have a material adverse effect on the Avon Rubber Group, Team Wendy and, following Completion, the Enlarged Group***

Notwithstanding Avon Rubber Group's and Team Wendy's longstanding relationships with their respective strategic partners, uncertainty about the effects of the Acquisition on the future business relationships with such strategic partners (including customers, vendors, distributors and suppliers), may have a material adverse effect on the business, prospects, financial condition and/or results of operations of the Avon Rubber Group, Team Wendy and, following Completion, the Enlarged Group. These uncertainties could cause parties that have business or other relationships with the Avon Rubber Group, Team Wendy and, following Completion, the Enlarged Group to seek to cease doing business or change their terms of business or take other decisions concerning the business of the Avon Rubber Group, Team Wendy and, following Completion, the Enlarged Group. This could result in supply chain disruptions due to suppliers ceasing to provide materials or the loss of customers who may no longer choose to do business with the Avon Rubber Group, Team Wendy and, following Completion, the Enlarged Group and which may have a material adverse effect the Enlarged Group's revenues and results of operations.

1.3 ***The due diligence conducted in connection with the Acquisition may not have revealed all relevant considerations, liabilities or regulatory and conduct issues***

The due diligence conducted by the Avon Rubber Group on Team Wendy in connection with the Acquisition may not have revealed all relevant considerations, liabilities or regulatory and conduct issues in relation to the Acquisition, including the existence of facts that may otherwise have impacted the decision to proceed with the Acquisition, the determination of the consideration payable to the Sellers or the formulation of a business strategy for the Avon Rubber Group, Team Wendy or, following Completion, the Enlarged Group. In addition, information provided during the due diligence process may have been incomplete, inadequate or inaccurate. The Avon Rubber Group and, following Completion, the Enlarged Group may also be subject to legacy conduct and other exposures with respect to Team Wendy which were not identified through due diligence. If any of the aforementioned occur, the Avon Rubber Group could suffer reputational damage and may be liable for losses suffered by an affected party, each of which could have a material adverse effect on the business, prospects, financial condition and/or results of operations of the Avon Rubber Group and, following Completion, the Enlarged Group.

1.4 ***The Enlarged Group may not realise, or it may take the Enlarged Group longer to realise, the expected benefits of the Acquisition***

Acquisitions are inherently risky, and no assurance can be given that the Acquisition will be successful. The Enlarged Group may fail to achieve certain or all of the anticipated benefits that Avon Rubber expects to realise as a result of the Acquisition, or it may take longer than expected to realise those benefits. If the anticipated benefits are not achieved, or take longer than expected to be realised, this could have a material adverse effect on the business, prospects, financial condition and/or results of operations of the Enlarged Group.

1.5 ***Failure to complete the Dairy Disposal will result in a substantial increase in debt, which may affect the Enlarged Group's business flexibility in the longer term***

In the event that Completion occurs prior to completion of the Dairy Disposal, Avon Rubber will finance the Acquisition through the New RCF, which will be repaid following completion of the Dairy Disposal. As such, failure to complete the Dairy Disposal will result in the Enlarged Group having substantially increased debt compared to the Avon Rubber Group's historical level of debt. This increased level of debt could have the effect, among other things, of reducing the Enlarged Group's flexibility to respond to changing business and economic conditions. The amount of cash required to service the Enlarged Group's increased debt levels following Completion and thus the demands on the Enlarged Group's cash resources will be greater than the amount of cash flows required to service the Avon Rubber Group's debt and pay dividends prior to the Acquisition.

The increased levels of debt could, in the longer term, also reduce funds available for the Enlarged Group's investments in capital expenditures, share repurchases and other activities and may create competitive disadvantages for the Enlarged Group relative to other companies with lower debt levels.

1.6 ***The Company may be required to pay a termination fee in certain circumstances***

The Acquisition Agreement permits the Board to change its recommendation that Shareholders vote in favour of the Acquisition Resolution (an "**Avon Rubber Adverse Recommendation Change**") only if, at any time prior to obtaining Avon Rubber Shareholder Approval, the Board determines in good faith, after consultation with outside legal counsel, that the failure to take such action would reasonably be expected to be inconsistent with the Directors' fiduciary duties under applicable law.

Avon Rubber and Avon Protection are jointly and severally required to pay the Sellers a reverse termination fee of US$5 million under the Acquisition Agreement if the Acquisition Agreement is terminated: (i) as a result of Avon Rubber's failure to obtain the Avon Rubber Shareholder Approval; (ii) the Board were to make an Avon Rubber Adverse Recommendation Change and the Acquisition Resolution is not submitted to the Shareholders for approval; (iii) in the event of a CFIUS Turndown; or (iv) as a result of (A) any court or other governmental entity has restraining, enjoining or otherwise prohibiting the Acquisition or (B) the Acquisition not having closed by the Long Stop Date, so long as, in each case (A) and (B), Sellers would have been entitled to terminate at such time due to the representations and warranties of Avon Protection failing to be true and correct subject to customary materiality qualifiers but for termination due to such court or governmental prohibition or Long Stop Date termination.

2. Risks relating to the Enlarged Group

2.1 *The Enlarged Group's success will depend on retaining and attracting key personnel*

Following Completion, the Enlarged Group may not be able to retain key personnel as there can be no assurance that individuals employed by Team Wendy or the Avon Rubber Group will remain employed by the Enlarged Group.

Team Wendy's senior management team is led by Chief Executive Officer, Jose Rizo-Patron who is responsible for leading and managing the operations of Team Wendy. Avon Rubber has entered into an employment contract with Mr Rizo-Patron, conditional on Completion, for an indefinite term, which contains a six month notice period (with Mr Rizo-Patron being unable to serve notice during the first 12 months) and restrictive covenants for a period of six months following cessation of employment (subject in each case to certain exceptions). However, this contract may not prevent Mr Rizo-Patron from leaving Team Wendy, and following Completion, the Enlarged Group and the failure to retain key management and staff could have a material adverse effect on Team Wendy and, following Completion, the Enlarged Group's the business, prospects, financial condition and/or results of operations.

Furthermore, the Directors believe that Team Wendy's senior management team are responsible for creating a strong culture which has helped Team Wendy attract high-quality personnel, maintain a high retention rate of key staff and create a work force that is dedicated to delivering high-quality products. Although Team Wendy has a track record of long service amongst most of its senior management, there is no guarantee that senior management will remain with the Enlarged Group and the departure of Mr Rizo-Patron or other senior management could result in a failure to maintain the culture and philosophies of Team Wendy, which may have a material adverse effect on the business, prospects, financial condition and/or results of operations of the Enlarged Group.

The success of the Enlarged Group will also depend on the ability to recruit key personnel. The inability to attract employees or a delay in replacing a departed employee, may result in the loss of local market knowledge and longstanding relationships with customers and suppliers which may have a material adverse effect on the Enlarged Group's business, prospects, financial condition and/or results of operations.

2.2 *Reliance on U.S. Department of Defense*

The Avon Rubber Group and Team Wendy derive a significant portion of their revenues from contracts with the U.S. DoD. The loss or significant curtailment of any contracts, including the failure to place delivery orders thereunder, the failure to exercise renewal options or any change in the tendering or contracting process, could have a material adverse effect on the Avon Rubber Group, Team Wendy and, following Completion, the Enlarged Group's business, prospects, financial condition and/or results of operations.

Continuation and the exercise of renewal options on existing contracts and new U.S. DoD contracts are, among other things, contingent upon the availability of adequate funding (including in connection with product development) for the U.S. DoD with which the Avon Rubber Group and Team Wendy and prime government contractors do business. Significant changes in U.S. DoD budgets or the allocation of funding to Avon Rubber and Team Wendy's product lines could directly affect the financial performance of the Avon Rubber Group, Team Wendy and, following Completion, the Enlarged Group.

The U.S. DoD can modify or terminate any of its contracts either for its convenience or for a default by the Avon Rubber Group, Team Wendy or, following Completion, the Enlarged Group, as applicable, under the terms of the contract. A termination for convenience could adversely affect the Enlarged Group's revenues and results of operations. A termination arising from default could expose the Enlarged Group to liability and have a material adverse effect on its reputation and ability to compete for future funding, contracts and subcontracts, which could materially and adversely affect its business and results of operations. Failure to replace sales generated from terminated or modified contracts would result in lower sales and could adversely affect revenue, which could have a material and adverse effect on its business, prospects, financial condition and/or results of operations.

2.3 ***A reduction in the funding of the military and first responders sectors could have a material adverse effect on the Avon Rubber Group, Team Wendy and, following Completion, the Enlarged Group***

The Avon Rubber Group's and Team Wendy's revenue is and, following Completion, the Enlarged Group's revenue will be derived from the military and first responder sectors. The level and type of spending in such sectors is dependent on a complex mix of social, political, macroeconomic, fiscal and strategic defence and security imperatives. Changes in government spending could lead to a reduction in the size of militaries and first responders, programme terminations or delays, or changes in sector growth which could have a material adverse effect on business, prospects, financial condition and/or results of operations of the Avon Rubber Group, Team Wendy and, following Completion, the Enlarged Group.

2.4 ***Team Wendy has limited long-term contracts with customers which may result in reduced revenue visibility and impact market share of the Enlarged Group***

Team Wendy's sales are conducted largely on the basis of purchase orders rather than long-term contracts. As a result, Team Wendy has reduced long-term revenue visibility.

The lower proportion of business derived from long-term contracts means that there is no assurance that Team Wendy and, following Completion, the Enlarged Group, will be able to maintain current market share with respect to Team Wendy products as competitors may be able to gain market share through competitive pricing and advancements in technology and performance. A loss of market share to competitors could have a material adverse effect on the business, prospects, financial condition and/or results of operations of Team Wendy, and, following Completion, the Enlarged Group.

2.5 ***The Enlarged Group's financial performance and prospects may be adversely affected by COVID-19, the long-term impact of which is currently unknown***

On 11 March 2020, the World Health Organisation announced that the outbreak of COVID-19 (commonly referred to as Coronavirus) had been declared a global pandemic. The widespread health crisis has adversely affected the global economy, resulting in a substantial decline in financial markets. The long-term impacts of the outbreak are unknown and rapidly evolving.

Whilst COVID-19 has not had a material impact on the Avon Rubber Group and Team Wendy to date, the future development of the outbreak is highly uncertain and there is no assurance that the outbreak will not have a material adverse effect on the business, prospects, financial condition and/or results of operations of the Avon Rubber Group, Team Wendy and, following Completion, the Enlarged Group. Such effects could include disruptions or restrictions on the ability of employees to work effectively, as well as temporary closures of facilities or the facilities of customers or suppliers, which could affect the Avon Rubber Group, Team Wendy and, following Completion, the Enlarged Group's ability to perform under contracts or purchase orders. Resulting cost increases may not be fully recoverable under those contracts or purchase orders or adequately covered by insurance, which in turn could impact Avon Rubber Group, Team Wendy and, following Completion, the Enlarged Group's profitability.

The extent of the impact will depend on the geographical range of the virus, infection rates, the severity and mortality rates of the virus, the timing and efficacy of a vaccine and the steps taken nationally and globally to prevent the spread of the virus.

Avon Rubber Group and Team Wendy are deemed to be critical suppliers to the markets and customers that they serve (for example, military and first responders) and as such have been required to remain open during the COVID-19 pandemic. Additionally, demand for the products of both the Avon Rubber Group and Team Wendy has remained robust during the COVID-19 pandemic to date. Accordingly, neither the Avon Rubber Group or Team Wendy have experienced a material detrimental impact to their respective businesses from 31 March 2020 and 31 December 2019 (respectively) to the Latest Practicable Date. This is further evidenced by Team Wendy's revenue and EBITDA tracking ahead of the same period in 2019.

As COVID-19 has not had a material impact on the Avon Rubber Group and Team Wendy to date, Avon Rubber is unable to provide any additional information (other than that set out above) on the potential impact of COVID-19 on the Avon Rubber Group, Team Wendy and, following Completion, the Enlarged Group.

2.6 *Protection of intellectual property rights*

The Avon Rubber Group and Team Wendy rely and, following Completion, the Enlarged Group will rely on patents, trademarks, copyrights, trade secrets, and proprietary know-how and concepts. The Enlarged Group will attempt to protect its intellectual property rights, in the U.K., the U.S. and elsewhere, through a combination of patent, trademark, copyrights and trade secret laws, as well as confidentiality agreements. Although the Avon Rubber Group is not currently aware of any potential or ongoing material breach of its intellectual property by any third party including its competitors, nor any breach by Avon Rubber of its competitors' intellectual property, any failure to obtain or maintain adequate protection of intellectual property rights for any reason could have a material adverse effect on the business, prospects, financial condition and/or results of operations of the Avon Rubber Group, Team Wendy and, following Completion, the Enlarged Group.

While the protection afforded by patent, trademark, copyright and trade secret laws may provide some advantages, the competitive position of participants in their industry is principally determined by such factors as the technical and creative skills of personnel, the frequency of their new product developments and ability to anticipate and rapidly respond to evolving market requirements. To the extent that a competitor effectively uses its intellectual property portfolio, including patents, to prevent the Avon Rubber Group, Team Wendy and, following Completion, the Enlarged Group from selling products that allegedly infringe such competitor's products, its results of operations could be materially adversely affected.

The Avon Rubber Group and Team Wendy also rely and, following Completion, the Enlarged Group will rely on unpatented proprietary technology. It is possible that others will independently develop the same or similar technology or otherwise obtain access to such unpatented technology. To protect trade secrets and other proprietary information, employees, consultants, advisors and collaborators are required to enter into confidentiality agreements. It cannot be assured that these agreements will provide meaningful protection for trade secrets, know-how or other proprietary information in the event of any unauthorised use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information. If the Avon Rubber Group, Team Wendy and, following Completion, the Enlarged Group are unable to maintain the proprietary nature of their technologies, their sales could decrease and this could have a material adverse effect on its business, results of operations and financial condition.

2.7 *Exchange rate fluctuations*

Although Avon Rubber intends to change its reporting currency to U.S. dollars from the financial year ending 30 September 2021, Avon Rubber's current reporting currency in Pounds Sterling and its principal foreign currency exposure relates to movements in the U.S. dollar and Pounds Sterling exchange rate, due to its U.S. operations, and U.S. dollar denominated costs in the U.K. This exposure can adversely affect the reported Pounds Sterling profits, cash flows and balance sheet positions, such as net debt. Avon Rubber implements policies to manage these exposures on an ongoing basis. The Acquisition will significantly increase the amount of Avon Rubber's U.S. Dollar earnings, cash flows and balance sheet values. While policies will be adjusted to take account of these increased exposures in the Enlarged Group, there can be no assurance that the financial performance and condition of the Enlarged Group as reported in Pounds Sterling will not be adversely affected by movements in the U.S. Dollar/Pounds Sterling exchange rate.

PART III

PRINCIPAL TERMS OF THE ACQUISITION

1. Introduction

On 8 September 2020, Avon Rubber, Avon Protection, the Sellers and Dan T. Moore, III as Sellers' representative and in his personal capacity entered into the Acquisition Agreement, which sets out the terms pursuant to which Avon Protection is expected to purchase all of the Team Wendy Equity Interests from the Sellers.

Upon Completion, Avon Protection will directly hold all the Team Wendy Equity Interests.

2. Consideration

The consideration for the sale and purchase of the Team Wendy Equity Interests is US$130 million, which is subject to adjustment downwards in relation to indebtedness and the transaction expenses incurred by Team Wendy, upwards for cash, and upwards or downwards, as applicable, for working capital deviations from an agreed target.

The following amounts shall, instead of being paid to the Sellers, be paid into an escrow account at Completion: (i) US$2.5 million in relation to any post-Completion adjustments to the consideration; and (ii) US$650,000 in relation to the indemnification obligations of the Sellers pursuant to the Acquisition Agreement.

3. Representations, Warranties, Indemnities and Liability

Under the Acquisition Agreement, the Sellers made customary representations and warranties to Avon Protection, and Avon Protection made customary representations and warranties to the Sellers.

The Sellers and Mr. Moore have agreed to indemnify Avon Protection, Team Wendy and their respective representatives, affiliates and certain related persons in respect of: (i) any representation or warranty given by the Sellers under the Acquisition Agreement or any other transaction document not being true and correct as of the date of the Acquisition Agreement and as of the Completion Date (other than those representations and warranties given as of a specific date, which must be true as of such date); (ii) any breach of any covenant or agreement by the Sellers or Mr. Moore in the Acquisition Agreement (other than those relating to taxes); and (iii) any transaction expenses incurred by Team Wendy that remain unpaid at the Completion Date and which have not been deducted from the Purchase Price. In addition, the Sellers and Mr. Moore have agreed to indemnify Avon Protection and its affiliates (including Team Wendy) in respect of certain liabilities, losses, claims and expenses relating to taxes, including any claims that may be asserted by any party based on the failure of any representation or warranty made in relation to tax matters to be true and correct in all respects on and as of the Completion Date.

Avon Rubber and Avon Protection have agreed to jointly and severally indemnify the Sellers and their respective representatives, affiliates and certain related persons in respect of: (i) any representation or warranty given by Avon Rubber or Avon Protection under the Acquisition Agreement or any other transaction document not being true and correct; and (ii) any breach of any covenant or agreement by Avon Rubber or Avon Protection in the Acquisition Agreement.

The limitation period for claims in relation to:

(a) the representations of the parties relating to, among other things, their respective due organisation, good standing, power and authorisation, the ownership of the Team Wendy Equity Interests, Team Wendy's capitalisation and subsidiaries, ownership of intellectual property and broker's and finder's fees survive until five years from the Completion Date;

(b) the representations and warranties relating to tax matters survive until the date that is 60 days following the expiration of the applicable statute of limitations (giving effect to any extensions and waivers thereof); and

(c) the other representations and warranties given by the parties generally survive until 12 months after the Completion Date.

Recovery by Avon Protection and its other indemnified persons in relation to the indemnities in respect of:

(a) inaccuracies with respect to the representations and warranties given by the Sellers under the Acquisition Agreement are limited to: (i) the indemnity escrow in an amount of US$650,000; and (ii) recovery under the RWI Policy (up to a maximum coverage of US$26 million), except for the fundamental representations such as those relating to organisation, good standing, power, authorisation, ownership of the Team Wendy Equity Interests, Team Wendy's capitalisation and subsidiaries, ownership of intellectual property and broker's and finder's fees; and

(b) the representations of the Sellers relating to organisation, good standing, power, authorisation, ownership of the Team Wendy Equity Interests, Team Wendy's capitalisation and subsidiaries, ownership of intellectual property and broker's and finder's fees are limited to the Purchase Price (subject to adjustments) provided that the Sellers will only be liable to the extent that such indemnification does not exceed the portion of the Purchase Price the Sellers actually receive.

No amount shall be payable in relation to any individual loss or group of related losses under the Acquisition Agreement unless the amount claimed is at least US$50,000 (any such qualifying loss, a "**Qualifying Loss**").

Save in relation to representations of the Sellers relating to organisation, good standing, power, authorisation, ownership of the Team Wendy Equity Interests, Team Wendy's capitalisation and subsidiaries, ownership of intellectual property, and broker's and finder's fees, Avon Protection and its other indemnified persons shall not be entitled to recover any amount in relation to the indemnity in respect of the representations and warranties given by the Sellers unless the claiming party has suffered Qualifying Losses in excess of US$650,000.

Other customary limitations apply to the indemnities given by the parties.

4. Pre-Completion Covenants

4.1 *Conduct of Team Wendy's business and access*

The Sellers and Mr. Moore have agreed that pending Completion or until the earlier termination of the Acquisition Agreement, except as required by applicable law or consented to in writing by Avon Protection and subject to certain agreed exceptions, they will cause Team Wendy to conduct its operations in all material respects only in the ordinary course of business and in the same manner as currently conducted, and use commercially reasonable efforts to preserve intact Team Wendy's business organisations, keep available the service of its officers and employees, keep its assets intact, and maintain satisfactory relationships with its licensors, suppliers, distributors, clients and others having business relationships with Team Wendy. In addition, except as required by applicable law or consented to by Avon Protection (which consent shall not be unreasonably withheld, conditioned or delayed), the Sellers have agreed not to permit Team Wendy to take certain specified actions, including amending its constitutional documents, making capital expenditures, disposing of its intellectual property and incurring any indebtedness (in each case, subject to agreed exceptions).

4.2 *Satisfaction of Conditions*

Each party has agreed to use commercially reasonably efforts to secure all consents and approvals of third parties and governmental entities required for the Acquisition and to make all required filings under the HSR Act. Avon Protection shall not be required to make any divestments or similar commitments in order to secure any consent or approval.

Avon Rubber has agreed to customary undertakings in relation to the Circular and any required supplementary circular(s), and the Sellers have agreed to provide customary assistance in preparation of the Circular.

Avon Rubber has agreed that the Board shall recommend that the Shareholders vote in favour of the Acquisition Resolution and use its reasonable best efforts to obtain the Avon Rubber Shareholder Approval, and will not authorise or permit their representatives to, directly or indirectly, fail to make, withdraw or modify in a manner adverse to the Sellers, or publicly propose to fail to make, withdraw or modify in a manner adverse to the Sellers, the recommendation to the Shareholders, unless the Board determines in good faith, after consultation with outside legal counsel, that the failure to take such action would reasonably be expected to be inconsistent with the Directors' fiduciary duties under applicable law provided that unless the Acquisition Agreement is first terminated in accordance with its terms, the Acquisition shall be submitted to the Shareholders at the General Meeting notwithstanding any such Avon Rubber Adverse Recommendation Change.

Avon Rubber has agreed to take all actions to procure that the General Meeting is convened and held as soon as practicable and in any event no later than 28 calendar days after approval of this Circular by the FCA and has agreed to certain other customary obligations with respect to the General Meeting.

5. Conditions

Completion of the Acquisition is conditional upon, among others, the satisfaction or waiver of the following Conditions:

(a) the Avon Rubber Shareholder Approval;

(b) the expiry or termination of the applicable waiting period (and any extension thereof) under the HSR Act;

(c) the cancellation or termination of Team Wendy's registration under Part 122 of the International Traffic in Arms Regulations by the DDTC or the expiration of a waiting period of 60 days following Team Wendy's submission of a notice to the DDTC with respect to the Acquisition;

(d) notification by CFIUS to Avon Protection and the Sellers that (a) following submission of a declaration pursuant to the DPA, either (i) CFIUS has concluded all action under the DPA with respect to the Acquisition, or (ii) CFIUS is not able to conclude action under the DPA with respect to the Acquisition on the basis of the declaration and that Avon Protection and Sellers may file a joint voluntary notice under the DPA to seek written notification that CFIUS has concluded all action under the DPA with respect to the Acquisition, or (b) following submission of a joint voluntary notice pursuant to the DPA, (i) CFIUS has concluded that the Acquisition is not a "covered transaction" pursuant to the DPA; (ii) there are no unresolved national security concerns with respect to the Acquisition and CFIUS has concluded all action with respect to its review (or, if applicable, investigation) of the Acquisition; or (iii) CFIUS has sent a report to the President of the United States requesting the President's decision with respect to the Acquisition and either (A) the period under the DPA during which the President may announce his decision to take action to suspend or prohibit the Acquisition has expired without any such action being announced or taken or (B) the President has announced a decision not to take any action to suspend or prohibit the Acquisition (the "**CFIUS Condition**");

(e) the representations and warranties of Avon Rubber and Avon Protection and the Sellers being true and correct as of the Completion Date, subject to certain exemptions based on materiality, material adverse effect and similar standards; and

(f) no Material Adverse Effect has occurred.

Pursuant to the requirements of the HSR Act, Avon Protection and the Sellers each filed a Notification and Report Form with respect to the Acquisition with the FTC and the DoJ on 24 August 2020. A transaction is reportable under the HSR Act if the acquirer will hold voting securities, non-corporate interests, or assets valued above US$94 million. As the Purchase Price is US$130 million, an HSR filing is required. Under the requirements of the HSR Act, Avon Rubber must submit competitive and evaluative deal documents, revenues, a copy of the signed agreement (or alternatively, a signed letter of intent or term sheet), and other pieces of information. Reportable transactions cannot close until the initial HSR 30-day waiting period expires. The initial 30-day waiting period will expire at the end of the day on 23 September 2020.

Avon Protection and Team Wendy filed a voluntary declaration with CFIUS in accordance with the DPA with respect to the Acquisition on 6 August 2020. Given the nature of Team Wendy's business, the parties elected to notify CFIUS of the Acquisition. The declaration is a short-form CFIUS notification option that is assessed in a shorter period of time than a joint voluntary notice. CFIUS accepted such declaration on 11 August 2020. Following its assessment of the declaration, CFIUS may clear the Acquisition, advise that it cannot clear the Acquisition based on the declaration but not request a joint voluntary notice, or request that Avon Protection and Team Wendy submit a joint voluntary notice with respect to the Acquisition. A joint voluntary notice would include additional information not required under a declaration and be subject to a longer timeline (following CFIUS's acceptance of a joint voluntary notice, CFIUS has a 45 calendar days for its initial review and potentially an additional 45 calendar days for any investigation). If CFIUS has national security concerns regarding the Acquisition, they would be addressed during the review or investigation (for example through proposed mitigation requirements). On 9 September 2020, CFIUS notified the parties in writing that based upon its assessment of the declaration, CFIUS has determined that there are no unresolved national security concerns with respect to the Acquisition and has concluded action under the DPA. The CFIUS Condition has therefore been satisfied.

6. Termination

The Acquisition Agreement may be terminated:

(a) by the mutual written consent of the parties;

(b) by the Sellers' representative or Avon Protection if any court or governmental entity issues, enters, promulgates or enforces any law or order (that is final and non-appealable and has not been vacated, withdrawn or overturned) restraining, enjoining or otherwise prohibiting the Acquisition;

(c) by the Sellers' representative or Avon Protection if Avon Rubber does not obtain Avon Rubber Shareholder Approval;

(d) by the Sellers' representative or Avon Protection if the Acquisition has not closed by the Long Stop Date;

(e) by the Sellers' representative, on the one hand, or Avon Protection, on the other hand, if the representations and warranties Avon Rubber or Avon Protection, on the one hand, or the Sellers, on the other hand, fail to be true and correct subject to certain materiality qualifiers, or if there is a material breach of any of their respective covenants or agreements in the Acquisition Agreement;

(f) by the Sellers' representative or Avon Protection if there is an Avon Rubber Adverse Recommendation Change and the Acquisition Resolution is not submitted to the Shareholders for Approval; or

(g) by the Sellers' representative or Avon Protection if there has been a CFIUS Turndown.

Avon Rubber and Avon Protection are jointly and severally required to pay the Sellers' representative the sum of US$5 million if the Acquisition Agreement is terminated (i) in the circumstances contemplated by sub-paragraphs (c), (f) or (g) above; or (ii) in the circumstances contemplated by sub-paragraphs (b) or (d) above if Sellers' representative would have been entitled to terminate as contemplated by sub-paragraph (e) above but for such termination in accordance with sub-paragraphs (b) or (d) above.

7. Seller Restrictive Covenants

The Sellers and Mr. Moore have agreed that, for a period of three years following the Completion Date, they and their respective affiliates will not:

(a) compete with Team Wendy, either directly or indirectly, including by acquisition of a competing business (subject to customary thresholds), within the jurisdiction or marketing area in which Team Wendy or any of its subsidiaries is doing business, or is qualified to do business;

(b) persuade or attempt to persuade potential customers of Team Wendy not to do business with Team Wendy; or

(c) interfere with Team Wendy's existing customer relationships, including by soliciting existing customers for any products or services competitive with Team Wendy's business as of the Completion Date.

Each of Avon Protection, on the one hand, and the Sellers and Mr. Moore on the other hand have agreed that, for a period of three years following the Completion Date, they and their respective affiliates (in the case of Avon Protection, including Team Wendy) will not solicit any employees of the respective other parties for employment, subject to customary exemptions, or hire any of a specified list of existing employees of the respective other parties, without exemption.

PART IV

HISTORICAL FINANCIAL INFORMATION RELATING TO TEAM WENDY

Part A: Historical Financial Information relating to Team Wendy

The following Part IV contains the historical financial information of Team Wendy.

The historical financial information of Team Wendy presented in Part A of this Part IV of this document has been prepared for the purpose of the Listing Rules and in accordance with the IFRS accounting policies of the Company.

The following historical financial information of Team Wendy is presented in Part A of this Part IV of this document:

- Historical financial information for the year ended 31 December 2017
- Historical financial information for the year ended 31 December 2018
- Historical financial information for the year ended 31 December 2019

Shareholders should read the whole of this document and not rely solely on the financial information contained in this Part IV (*Historical Financial Information Relating to Team Wendy*).

Consolidated Statement of Comprehensive Income

		For the year ended		
	Note	31 December 2019	31 December 2018	31 December 2017
(US$ millions)				
Continuing operations				
Revenue	2.1,2.2	44.2	29.4	27.2
Cost of sales		(24.5)	(15.6)	(12.5)
Gross profit		19.7	13.8	14.7
Selling and distribution costs		(2.6)	(1.7)	(1.9)
General and administrative expenses		(5.3)	(4.7)	(3.2)
Other income		0.3	–	–
Operating profit	2.3	12.1	7.4	9.6
Operating profit analysed as:				
Before depreciation and amortisation		13.4	8.2	10.5
Depreciation and amortisation	3.1,3.2,3.3	(1.3)	(0.8)	(0.9)
Operating profit		12.1	7.4	9.6
Finance income	5.2	0.6	0.5	0.3
Finance costs	5.2	–	–	–
Profit before taxation	2.4	12.7	7.9	9.9
Taxation	2.5	(0.1)	(0.2)	(0.1)
Profit/total comprehensive income for the year		12.6	7.7	9.8

Consolidated Balance Sheet

	Note	As at 31 December 2019	31 December 2018	31 December 2017	1 January 2017
(US$ millions)					
Assets					
Non-current assets					
Intangible assets	3.1	1.3	1.1	1.0	0.8
Property, plant and equipment	3.2	2.8	1.6	1.3	1.3
Right of use assets	3.3	0.4	0.7	0.5	0.5
Related party receivables	4.2, 6.2	28.6	23.9	18.3	11.7
		33.1	27.3	21.1	14.3
Current assets					
Inventories	4.1	11.9	6.4	7.2	3.8
Trade and other receivables	4.2	7.5	4.3	4.2	4.7
Cash and cash equivalents	4.3	2.6	3.9	2.5	4.2
		22.0	14.6	13.9	12.7
Liabilities					
Current liabilities					
Trade and other payables	4.4	(7.1)	(5.3)	(5.4)	(5.3)
Lease liabilities	3.3	(0.3)	(0.2)	(0.2)	(0.2)
		(7.4)	(5.5)	(5.6)	(5.5)
Net current assets		14.6	9.1	8.3	7.2
Non-current liabilities					
Lease liabilities	3.3	(0.2)	(0.5)	(0.3)	(0.4)
		(0.2)	(0.5)	(0.3)	(0.4)
Net assets		47.5	35.9	29.1	21.1
Members' equity					
Retained earnings	5.5	47.5	35.9	29.1	21.1
Total equity		47.5	35.9	29.1	21.1

Consolidated Cash Flow Statement

		For the year ended		
	Note	31 December 2019	31 December 2018	31 December 2017
(US$ millions)				
Cash flows from operating activities				
Cash flows from operations	4.3	7.3	8.7	7.5
Net cash flows from operating activities		7.3	8.7	7.5
Cash flows used in investing activities				
Purchase of property, plant and equipment	3.2	(1.5)	(0.6)	(0.3)
Capitalised development costs and purchased software	3.1	(0.9)	(0.5)	(0.6)
Payments to related parties	4.2	(4.4)	(5.1)	(6.3)
Net cash used in investing activities		(6.8)	(6.2)	(7.2)
Cash flows used in financing activities				
Distributions paid to members	5.6	(1.6)	(0.9)	(1.8)
Repayment of lease liabilities	3.3	(0.2)	(0.2)	(0.2)
Net cash used in financing activities		(1.8)	(1.1)	(2.0)
Net (decrease)/increase in cash and cash equivalents		(1.3)	1.4	(1.7)
Cash and cash equivalents at beginning of the year		3.9	2.5	4.2
Cash and cash equivalents at end of the year	4.3	2.6	3.9	2.5

Consolidated Statement of Changes in Equity

(US$ millions)	Note	Retained earnings	Total equity
At 1 January 2017		21.1	21.1
Profit and total comprehensive income for the year		9.8	9.8
Transactions with owners – distributions to members	5.6	(1.8)	(1.8)
At 31 December 2017		29.1	29.1
Profit and total comprehensive income for the year		7.7	7.7
Transactions with owners – distributions to members	5.6	(0.9)	(0.9)
At 31 December 2018		35.9	35.9
Profit and total comprehensive income for the year		12.6	12.6
Transactions with owners – distributions to members	5.6	(1.6)	(1.6)
Share based payments	6.4	0.6	0.6
At 31 December 2019		47.5	47.5

Notes to the historical financial information

Corporate information

Team Wendy is a limited liability company incorporated and domiciled in Delaware and is headquartered at Cleveland, Ohio.

Accounting policies

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

Notes to historical financial information

1. Accounting Policies

Basis of preparation

The historical financial information has been prepared in accordance with the requirements of the Listing Rules, on a basis consistent with the accounting policies adopted in the latest annual financial statements of Avon Rubber, with the exception that IFRS 16, which had not been applied in Avon Rubber's latest annual financial statements, has been applied for Team Wendy in this historical financial information. This historical information has been prepared in accordance with IFRS and interpretations issued by the IFRS Interpretations Committee ("**IFRS IC**") applicable to companies reporting under IFRS. The historical financial information complies with IFRS as adopted for use in the European Union ("**EU**") and therefore complies with Article 4 of the EU International Accounting Standards ("**IAS**") Regulation. For periods up to and including the year ended 31 December 2019, Team Wendy prepared its financial statements in accordance with U.S. GAAP.

Accordingly, Team Wendy has prepared historical financial information which complies with IFRS applicable for periods ending on or after 1 January 2017, as described in the summary of significant accounting policies. In preparing this historical financial information, Team Wendy's opening balance sheet has been prepared as at 1 January 2017, Team Wendy's date of transition to IFRS.

The historical financial information is presented in U.S. Dollars (US$) and all values stated in millions of U.S. Dollars ("**US$m**") except where otherwise indicated.

The historical financial information has been prepared on an historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Going concern

The Directors have, at the time of approving the historical financial information, a reasonable expectation that Team Wendy has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the historical financial information.

Application of IFRS 1

The historical financial information is the first Team Wendy has prepared in accordance with IFRS as adopted for use in the European Union. Team Wendy applied IFRS 1, "First time adoption of IFRS", in preparing this historical financial information.

For periods up to and including the year ended 31 December 2019, Team Wendy prepared its financial statements in accordance with U.S. GAAP. See Note 7.4 for a description of IFRS adjustments and reconciliations from U.S. GAAP to IFRS. The accounting policies set out herein have been applied in preparing the historical financial information as at and for the years ended 31 December 2019, 31 December 2018 and 31 December 2017 and the opening IFRS Balance Sheet as at 1 January 2017.

In preparing this historical financial information in accordance with IFRS, Team Wendy has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS, as set out in IFRS 1.

Optional exemptions to full retrospective application elected by Team Wendy

IFRS 1 allows first-time adopters certain exemptions from the general requirements contained in IFRS. Team Wendy has applied the following exemptions. All other available optional exemptions were not applicable to Team Wendy.

Share based compensation

IFRS 2 Share-based Payment has not been applied to equity instruments in share-based payment transactions that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2017.

Revenue

Contracts that were completed (i.e. contracts for which Team Wendy had transferred all of the goods and services identified in accordance with its financial statements under U.S. GAAP) before 1 January 2017 have not been restated.

Mandatory exceptions to full retrospective application applied by Team Wendy

IFRS 1 requires first-time adopters to apply certain exceptions from the general requirements contained in IFRS. Team Wendy has applied the following exceptions. All other mandatory exceptions not referenced were not applicable to Team Wendy.

Estimates

Estimates under IFRS at 1 January 2017, and the years ended 2019, 2018 and 2017 were consistent with estimates made as at the same dates under U.S. GAAP. There is no evidence that those estimates were made in error.

Derecognition of financial assets and liabilities

Financial assets and liabilities derecognised before 1 January 2017 were not re-recognised under IFRS. The application of this exception did not have a significant impact on this historical financial information.

Recent accounting developments

Team Wendy has considered applying the following standards and amendments for the first time for the year commencing 1 January 2019:

- IFRS 16 Leases.
- Prepayment Features with Negative Compensation – Amendments to IFRS 9.
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28.
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle.
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19.
- Interpretation 23 Uncertainty over Income Tax Treatments.

Team Wendy had to change its accounting policies as a result of adopting IFRS 16. Team Wendy elected to adopt the new rules fully retrospectively. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

At the balance sheet date there are a number of new standards, and amendments to existing standards in issue, but not yet effective. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Basis of consolidation

Team Wendy's historical financial information includes the results of the parent undertaking and its subsidiary undertaking. All intercompany transactions, balances and unrealised gains on transactions between Team Wendy companies are eliminated.

Revenue

Provision of goods

Revenue is recognised at a point in time 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.

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.

Team Wendy does not have any significant financing components as payment for goods sold by Team Wendy is typically due within 30 days of the invoice date.

Team Wendy generally expenses any incremental costs of obtaining a contract when incurred because the amortisation period would be less than one year. These costs are recorded in cost of sales.

Shipping and handling fees charged to customers are reported within revenue. The associated expenses are treated as fulfilment costs and are included in cost of sales.

Provision of services

Revenue from a contract to provide services, including customer funded research and development is recognised over time as those services are provided. Under IFRS 15 Team Wendy 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.

Segment reporting

Segments are identified based on information reported to the Chief Operating Decision Maker (CODM) for the purpose of resource allocation and assessment of segment performance. The CEO is deemed to be the CODM.

In the CODM's view, for the periods presented, there is only one business segment; 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 CEO assesses the performance of the operating segments based on the measures of revenue and operating profit before depreciation and amortisation.

Other income

Amounts presented as other income comprise royalty payments receivable and is recognised when amounts become due.

Employee benefits

Pension obligations and post-retirement benefits

Team Wendy maintains a defined contribution plan under section 401(k) of the Internal Revenue Code. The defined contribution plan is a pension plan under which Team Wendy pays fixed contributions into a separate entity. Team Wendy has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

Share based compensation

Team Wendy operates one share based compensation plan, under which the entity receives service from employees as consideration for equity instruments (Class B units) of Team Wendy. The fair value of the employee service received in exchange for the grant of the awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the awards 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.

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 awards 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.

Intangible assets

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 2 and 5 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. Research and development costs are included in general and administration costs in the statement of comprehensive income.

Computer software

Computer software is included in intangible assets at cost and amortised over its estimated life of 3 to 5 years.

Property, 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.

In general, the lives used are:

- Leasehold improvements – 10 years
- Furniture and fixtures – 3 to 10 years

- Moulds, dies and jigs – 3 years
- Other plant and machinery – 10 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.

Assets under construction

Assets in the course of construction are carried at cost, less any recognised impairment loss. Cost includes any professional fees and borrowing costs capitalised in accordance with Team Wendy's accounting policy. Depreciation of these assets, determined on the same basis as other property assets, commences when the assets are ready for their intended use.

Leases

Team Wendy assesses whether a contract is, or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

A right of use asset and corresponding lease liability are recognised at commencement of the lease. The lease liability is measured at the present value of the lease payments, discounted at the rate implicit in the lease, or if that cannot be readily determined, at the lessee's incremental borrowing rate specific to the term, country, currency and start date of the lease. Lease payments include fixed payments and payments in an optional renewal period if Team Wendy is reasonably certain to exercise an extension option or not exercise a break option.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured, with a corresponding adjustment to the right of use asset, when there is a change in future lease payments resulting from a rent review, change in an index or rate such as inflation, or change in Team Wendy's assessment of whether it is reasonably certain to exercise a purchase, extension or break option.

The right of use asset is initially measured at cost, comprising: the initial lease liability; any lease payments already made less any lease incentives received; and initial direct costs. The right of use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. The right of use asset is tested for impairment if there are any indicators of impairment.

Leases of low value assets and short-term leases of 12 months or less are expensed to the statement of comprehensive income as are non-lease service components.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the standard costing 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). 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 Team Wendy becomes a party to the contractual provisions of the instrument and measure at fair value.

Classification and subsequent measurement

Trade and other receivables and Trade and other payables are classified as measured at amortised cost.

Team Wendy recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL, see Note 5.4 (i) 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.

Impairment

At each reporting date, Team Wendy 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 4.2 for details.

Related parties

Amounts due to or from related parties are included in the balance sheet categorised as current or non-current dependent on their contractual payment or receipt dates. Related party receivables and payables are initially recorded at cost and subsequently accounted for on an amortised cost basis. Any provision for impairment is recognised in accordance with IFRS 9 using lifetime expected losses.

Taxation

As a limited liability company, Team Wendy is treated as a partnership for federal and state income tax purposes. As such, the taxable income of Team Wendy is included in the tax returns of the members for federal and state income tax purposes. Accordingly, no provision for federal and state income taxes is included in the historical financial information. Local income taxes accrue at statutory rates.

Distributions to members

Distributions to members are recognised as a liability in the historical financial information in the period in which the distributions are approved by members.

Members' capital

Members' capital is classified as equity.

Significant accounting judgements and estimates

The preparation of the historical financial information 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 Team Wendy's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed below.

Judgements

Capitalisation of development costs

Team Wendy capitalises the development of new products and processes as intangible assets. Initial capitalisation and any subsequent impairment is based on Team Wendy's judgement that technological and economic feasibility is demonstrated. In determining the amounts to be capitalised Team Wendy 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 Team Wendy to be 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.

There have been no critical judgements in recognising revenue.

Estimates

There are no areas of significant estimation.

Other estimates

Carrying amount of development costs

Intangible assets have been capitalised and relate to 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 Team Wendy 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 US$0.8 million (2018: US$0.6 million, 2017: US$0.2 million) 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 cash flows are reliant on key customers. Consequently, if final feasibility tests are unsuccessful or delayed such that the project economic benefit will not be achieved in the assets' lifetime they may be impaired.

Alternative performance measures

Operating profit before depreciation and amortisation is a non-IFRS financial measure of Team Wendy's financial performance that is not required by, or presented in accordance with, IFRS. It has been included as it is used by the Directors who believe this, or a similar measure, is widely used in the industry as a means of evaluating financial and operating performance.

The non-IFRS measure should not be considered in isolation from, or as a substitute for, measures presented in accordance with IFRS. In addition, the non-IFRS measure presented may not be comparable to similarly titled measures presented by other businesses, as such businesses may define and calculate such measures differently. Accordingly, undue reliance should not be placed on the non-IFRS measures contained in this historical financial information.

2. Results for the year

2.1 *Operating segments*

The CEO as the Chief Operating Decision Maker (CODM) 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 CODM.

Revenue analysed by destination of the direct customer

	U.S.	RoW	Total
(US$ millions)			
Year ended 31 December 2019			
Revenue	28.9	15.3	44.2
Year ended 31 December 2018			
Revenue	19.3	10.1	29.4
Year ended 31 December 2017			
Revenue	18.3	8.9	27.2

Revenues of US$25.5 million (2018: US$9.1 million, 2017: US$12.7 million) are derived from 5 major customers. Revenues were as follows:

	31 December 2019	31 December 2018	31 December 2017
(US$ millions)			
Customer 1	7.1	4.8	6.0
Customer 2	7.0	4.3	4.4
Customer 3	6.5	–	–
Customer 4	4.9	–	–
Customer 5	–	–	2.3
	25.5	9.1	12.7

2.2 ***Revenue analysed by type***

	Goods	Services	Total
(US$ millions)			
Year ended 31 December 2019			
Revenue	43.6	0.6	44.2
Year ended 31 December 2018			
Revenue	28.5	0.9	29.4
Year ended 31 December 2017			
Revenue	26.9	0.3	27.2

Contracts for research services are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

2.3 *Expenses by nature*

(US$ millions)	31 December 2019	31 December 2018	31 December 2017
Raw materials and consumables used	18.0	10.0	8.6
Employee benefit expense (Note 6.1)	7.8	6.0	5.2
Depreciation and amortisation charges (Notes 3.1, 3.2 and 3.3)	1.3	0.8	0.9
Legal and professional fees	0.7	0.5	0.6

2.4 *Profit before taxation*

(US$ millions)	31 December 2019	31 December 2018	31 December 2017
Profit before taxation is shown after charging/ (crediting):			
Depreciation of property, plant and equipment and right of use assets	0.6	0.4	0.5
Repairs and maintenance of property, plant and equipment	0.2	–	0.2
Amortisation of development expenditure and software	0.7	0.4	0.4
Research and development	0.6	0.7	0.4
Impairment of trade receivables	0.1	(0.1)	0.1

Auditors remuneration was US$ nil (2018: US$ nil, 2017: US$ nil) as the company's financial statements were unaudited in all the periods presented.

2.5 *Taxation*

As a limited liability company, Team Wendy is treated as a partnership for federal and state income tax purposes. As such, the taxable income of Team Wendy is included in the tax returns of the members for federal and state income tax purposes. Accordingly, no provision for federal and state income taxes is included in the historical financial information. Local income taxes accrue at statutory rates. All income of TWFF, Inc., the wholly owned subsidiary of Team Wendy, is paid to Team Wendy through a dividend. For tax reporting, the dividend income is included in the taxable income of Team Wendy's members, which is then taxed on the members' federal and state personal income tax returns. For financial reporting, the transaction is eliminated in consolidation.

3. Non-current assets

Team Wendy holds both Intangible and Tangible assets for long term within the business. The following notes provide information regarding the carrying value of these assets and movements in these balances during the year.

3.1 *Intangible assets*

(US$ millions)	Development expenditure	Computer software	Total
At 1 January 2017			
Cost	1.1	0.1	1.2
Accumulated amortisation	(0.4)	–	(0.4)
Net book amount	0.7	0.1	0.8
Year ended 31 December 2017			
Opening net book amount	0.7	0.1	0.8
Additions	0.4	0.2	0.6
Amortisation	(0.3)	(0.1)	(0.4)
Closing net book amount	0.8	0.2	1.0
At 31 December 2017			
Cost	1.5	0.3	1.8
Accumulated amortisation	(0.7)	(0.1)	(0.8)
Net book amount	0.8	0.2	1.0
Year ended 31 December 2018			
Opening net book amount	0.8	0.2	1.0
Additions	0.5	–	0.5
Disposals	(0.5)	–	(0.5)
Amortisation	(0.3)	(0.1)	(0.4)
Amortisation on disposals	0.5	–	0.5
Closing net book amount	1.0	0.1	1.1
At 31 December 2018			
Cost	1.5	0.3	1.8
Accumulated amortisation	(0.5)	(0.2)	(0.7)
Net book amount	1.0	0.1	1.1
Year ended 31 December 2019			
Opening net book amount	1.0	0.1	1.1
Additions	0.9	–	0.9
Disposals	(0.5)	–	(0.5)
Amortisation	(0.6)	(0.1)	(0.7)
Amortisation on disposals	0.5	–	0.5
Closing net book amount	1.3	–	1.3
At 31 December 2019			
Cost	1.9	0.3	2.2
Accumulated amortisation	(0.6)	(0.3)	(0.9)
Net book amount	1.3	–	1.3

The remaining useful economic life of the development expenditure is between two and five years. Total research and development costs expensed in 2019 was US$0.6 million (2018: US$0.7 million, 2017: US$0.4 million).

3.2 *Property, plant and equipment*

(US$ millions)	Leasehold improvements	Plant and machinery	Furniture and fixtures	Assets under construction	Total
At 1 January 2017					
Cost	2.0	2.6	0.5	–	5.1
Accumulated depreciation	(1.7)	(1.8)	(0.3)	–	(3.8)
Net book amount	0.3	0.8	0.2	–	1.3
Year ended 31 December 2017					
Opening net book amount	0.3	0.8	0.2	–	1.3
Additions	–	0.3	–	–	0.3
Depreciation charge	–	(0.3)	–	–	(0.3)
Closing net book amount	0.3	0.8	0.2	–	1.3
At 31 December 2017					
Cost	2.0	2.9	0.5	–	5.4
Accumulated depreciation and impairment	(1.7)	(2.1)	(0.3)	–	(4.1)
Net book amount	0.3	0.8	0.2	–	1.3
Year ended 31 December 2018					
Opening net book amount	0.3	0.8	0.2	–	1.3
Additions	–	0.3	–	0.3	0.6
Depreciation charge	–	(0.3)	–	–	(0.3)
Closing net book amount	0.3	0.8	0.2	0.3	1.6
At 31 December 2018					
Cost	2.0	3.2	0.5	0.3	6.0
Accumulated depreciation	(1.7)	(2.4)	(0.3)	–	(4.4)
Net book amount	0.3	0.8	0.2	0.3	1.6
Year ended 31 December 2019					
Opening net book amount	0.3	0.8	0.2	0.3	1.6
Additions	–	0.8	–	0.7	1.5
Depreciation charge	–	(0.3)	–	–	(0.3)
Closing net book amount	0.3	1.3	0.2	1.0	2.8
At 31 December 2019					
Cost	2.0	4.0	0.5	1.0	7.5
Accumulated depreciation	(1.7)	(2.7)	(0.3)	–	(4.7)
Net book amount	0.3	1.3	0.2	1.0	2.8

3.3 ***Leases***

Right of use assets

	Land and buildings
(US$ millions)	
Cost	
At 1 January 2017	0.6
Additions	0.2
Year ended 31 December 2017	0.8
Lease modifications	0.3
Year ended 31 December 2018	1.1
Lease modifications	–
Year ended 31 December 2019	1.1
Depreciation	
At 1 January 2017	0.1
Depreciation charge for the year	0.2
Year ended 31 December 2017	0.3
Depreciation charge for the year	0.1
Year ended 31 December 2018	0.4
Depreciation charge for the year	0.3
Year ended 31 December 2019	0.7
Net book value	
1 January 2017	0.5
31 December 2017	0.5
31 December 2018	0.7
31 December 2019	0.4

Lease liabilities

The following tables show the discounted lease liabilities included in Team Wendy's balance sheet and a maturity analysis of the contractual undiscounted lease payments:

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
(US$ millions)				
Current	0.3	0.2	0.2	0.2
Non-current	0.2	0.5	0.3	0.4
Total lease liabilities	0.5	0.7	0.5	0.6

Maturity analysis – contractual undiscounted lease payments

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
(US$ millions)				
Within 6 months	0.1	0.1	0.1	0.1
Greater than six months but less than one year	0.2	0.1	0.1	0.1
Greater than one year but less than five years	0.2	0.5	0.3	0.4
Total undiscounted lease payments	0.5	0.7	0.5	0.6

These liabilities were measured at the present value of the remaining lease payments, discounted using the company's incremental borrowing rate as at the date of entering the lease or the date the lease was subsequently modified. The weighted average incremental borrowing rate applied was 6.0%.

Amounts recognised in the statement of comprehensive income were:

	31 December 2019	31 December 2018	31 December 2017
(US$ millions)			
Interest on lease liabilities	–	–	–

Team Wendy had total cash outflows for leases of US$0.2 million in 2019 (2018: US$0.2 million, 2017: US$0.2 million).

There were no material expenses in relation to short-term leases, variable lease payments or leases of low value assets.

Extension and termination options are included in the property leases. These are used to maximise operational flexibility in terms of managing the assets used in Team Wendy's operations. The extension options held are exercisable only by Team Wendy and not by the lessor.

4. Working capital

This section presents disclosures around Team Wendy's working capital balances; inventories, trade receivables, payables and cash. Also included is information regarding cash generated from operating activity. Team Wendy has a strong cash position but careful management of working capital remains a key focus of the business.

4.1 *Inventories*

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
(US$ millions)				
Raw materials	9.2	3.8	4.5	2.4
Work in progress	0.9	1.1	1.1	0.5
Finished goods	1.8	1.5	1.6	0.9
	11.9	6.4	7.2	3.8

Provisions for inventory write downs were US$0.6 million (2018: US$0.5 million, 2017: US$1.0 million, 1 January 2017: US$0.3 million).

The cost of inventories recognised as an expense and included in cost of sales amounted to US$23.4 million (2018: US$14.3 million, 2017: US$13.0 million). The amount of inventory carried as fair value less costs to sell is US$ nil (2018: US$ nil, 2017: US$ nil, 1 January 2017: US$ nil).

4.2 ***Trade and other receivables***

	31 December 2019	**31 December 2018**	**31 December 2017**	**1 January 2017**
(US$ millions)				
Current debtors				
Trade receivables	7.0	4.0	3.1	4.7
Less: provision for impairment of receivables	(0.1)	–	(0.1)	–
Trade receivables – net	6.9	4.0	3.0	4.7
Receivable from related parties (Note 6.2)	0.4	–	–	–
Other receivables	0.2	0.3	1.2	–
	7.5	4.3	4.2	4.7
Non-current debtors				
Receivable from related parties (Note 6.2)	28.6	23.9	18.3	11.7
Total trade and other receivables	36.1	28.2	22.5	16.4

At each reporting date, Team Wendy assesses whether trade receivables, receivables from related parties and other receivables are credit impaired. Movements on Team Wendy's provision for impairment of receivables are as follows:

	31 December 2019	**31 December 2018**	**31 December 2017**
(US$ millions)			
At 1 January	–	0.1	–
Provision for impairment of receivables	0.1	(0.1)	0.1
Amounts written off	–	–	–
At 31 December	0.1	–	0.1

The movements in provisions for impairment of receivables have been included in general and administrative expenses in the consolidated statement of comprehensive income.

4.3 ***Cash and cash equivalents***

	31 December 2019	**31 December 2018**	**31 December 2017**	**1 January 2017**
(US$ millions)				
Cash at bank and in hand	2.6	3.9	2.5	4.2

Cash at bank and in hand balances earn interest as set by the banks based on federal rates.

Team Wendy generates cash from its operating activities as follows:

	2019	2018	2017
(US$ millions)			
Continuing operations			
Profit for the year	12.6	7.7	9.8
Adjustments for:			
Depreciation	0.6	0.4	0.5
Amortisation of intangible assets	0.7	0.4	0.4
Finance expense	–	–	–
Finance income	(0.6)	(0.5)	(0.3)
Share-based payments expensed	0.6	–	–
(Increase)/decrease in inventories	(5.5)	0.8	(3.4)
(Increase)/decrease in receivables	(2.8)	–	0.5
Increase in payables	1.8	0.1	0.1
Taxation paid	(0.1)	(0.2)	(0.1)
Cash flows from operations	7.3	8.7	7.5

4.4 ***Trade and other payables***

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
(US$ millions)				
Trade payables	1.7	1.1	0.5	1.9
Contract liabilities	0.3	0.3	0.1	–
Accruals	2.0	0.9	1.8	0.6
Payable to related parties (Note 6.2)	3.1	3.0	3.0	2.8
	7.1	5.3	5.4	5.3

Contract liabilities represents the amount invoiced under contracts with customers but not recognised as revenue at the balance sheet date and cash received in advance. US$0.3 million (2018: US$0.1 million, 2017: US$ nil) of the balance in contract liabilities at the start of the year is recognised in revenue in the current year.

5. Funding

Team Wendy has maintained a strong balance sheet in order to fund its growth strategy and does not have any external borrowings.

The following section provides disclosures about Team Wendy's exposure to market risks and its capital management policies.

5.1 ***Borrowings***

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
(US$ millions)				
Current				
Related party loan payable (Note 6.2)	0.7	0.7	0.7	0.7

The related party loan payable is interest free and repayable on demand.

5.2 ***Net finance income***

(US$ millions)	2019	2018	2017
Interest income on related party receivables	0.6	0.5	0.3
Interest expense on lease liabilities	–	–	–
	0.6	0.5	0.3

5.3 ***Analysis of net cash***

This note sets out the calculation of net cash.

(US$ millions)	Cash at bank and in hand	Debt due in less than one year	Net cash net of debt due in less than one year	Lease liabilities	Net Cash
At 1 January 2017	4.2	(0.7)	3.5	(0.6)	2.9
Debt movement	–	–	–	(0.1)	(0.1)
Cash flow	(1.7)	–	(1.7)	0.2	(1.5)
At 31 December 2017	2.5	(0.7)	1.8	(0.5)	1.3
Debt movement	–	–	–	(0.4)	(0.4)
Cash flow	1.4	–	1.4	0.2	1.6
At 31 December 2018	3.9	(0.7)	3.2	(0.7)	2.5
Debt movement	–	–	–	–	–
Cash flow	(1.3)	–	(1.3)	0.2	(1.1)
At 31 December 2019	2.6	(0.7)	1.9	(0.5)	1.4

5.4 ***Financial instruments***

Financial risk and treasury policies

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

(i) Credit risk

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

Credit evaluations are carried out on all 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 receivables that were past due.

Where possible, letters of credit or payments in advance are received for significant export sales.

Team Wendy recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

Loss allowances for trade receivables 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, Team Wendy 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 Team Wendy'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 Team Wendy 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:

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
(US$ millions)				
Carrying amount of financial assets				
Trade receivables	6.9	4.0	3.0	4.7
Receivable from related parties	29.0	23.9	18.3	11.7
Other receivables	0.2	0.3	1.2	–
Cash and cash equivalents	2.6	3.9	2.5	4.2
Less: prepayments	–	–	(0.2)	–
	38.7	32.1	24.8	20.6

Provisions against trade receivables

The ageing of trade receivables and associated provision for impairment was:

	Gross	Provision	Net
(US$ millions)			
31 December 2019			
Not past due	6.1	–	6.1
Past due 0–30 days	0.8	(0.1)	0.7
Past due 31–60 days	0.1	–	0.1
Past due 61–90 days	–	–	–
Past due more than 91 days	–	–	–
	7.0	(0.1)	6.9
31 December 2018			
Not past due	2.5	–	2.5
Past due 0–30 days	1.5	–	1.5
Past due 31–60 days	–	–	–
Past due 61–90 days	–	–	–
Past due more than 91 days	–	–	–
	4.0	–	4.0

(US$ millions)	Gross	Provision	Net
31 December 2017			
Not past due	1.9	–	1.9
Past due 0–30 days	0.8	–	0.8
Past due 31–60 days	0.3	(0.1)	0.2
Past due 61–90 days	0.1	–	0.1
Past due more than 91 days	–	–	–
	3.1	(0.1)	3.0
1 January 2017			
Not past due	1.4	–	1.4
Past due 0–30 days	1.9	–	1.9
Past due 31–60 days	0.2	–	0.2
Past due 61–90 days	1.1	–	1.1
Past due more than 91 days	0.1	–	0.1
	4.7	–	4.7

The total past due receivables, net of provisions is US$0.8m (2018: US$1.5 million, 2017: US$1.1 million, 1 January 2017: US$3.3 million).

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.

(ii) Liquidity risk

Liquidity risk is the risk that Team Wendy will not be able to meet its financial obligations as they fall due. Team Wendy'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 Team Wendy's reputation.

Team Wendy uses weekly cash flow forecasts to monitor cash requirements and to optimise its borrowing position. Typically Team Wendy ensures that it has sufficient cash or borrowing facilities to meet foreseeable operational expenses and at the year-end had net cash of US$1.4 million (2018: US$2.5 million, 2017: US$1.3 million, 1 January 2017: US$2.9 million) and undrawn facilities of US$ nil (2018: US$ nil, 2017: US$ nil, 1 January 2017: US$ nil).

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:

(US$ millions)	Carrying amount	Contractual cash flows	Less than 12 months
Analysis of contractual cash flow maturities			
31 December 2019			
Related party payables	3.1	3.1	3.1
Lease liabilities	0.5	0.5	0.3
Trade payables	1.7	1.7	1.7
	5.3	5.3	5.1

	Carrying amount	Contractual cash flows	Less than 12 months
31 December 2018			
Related party payables	3.0	3.0	3.0
Lease liabilities	0.7	0.7	0.2
Trade payables	1.1	1.1	1.1
	4.8	4.8	4.3
31 December 2017			
Related party payables	3.0	3.0	3.0
Lease liabilities	0.5	0.5	0.2
Trade payables	0.5	0.5	0.5
	4.0	4.0	3.7
1 January 2017			
Related party payables	2.8	2.8	2.8
Lease liabilities	0.6	0.6	0.2
Trade payables	1.9	1.9	1.9
	5.3	5.3	4.9

(iii) Market risks

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

(a) **Currency risk**

Team Wendy is not exposed to foreign currency risk as all sales and purchases are denominated in U.S. Dollars.

(b) **Interest rate risk**

Team Wendy does not undertake any hedging activity in this area. There are no significant interest risks as Team Wendy does not have any external borrowings and does not pay interest on the related party loan payable and is therefore not exposed to interest rate fluctuations.

All cash deposits are on floating rates or overnight rates as set by the banks based on federal rates.

(iv) Capital risk management

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

Members of the company are allocated Class A interests in the business. Class B units relate to the share based payment scheme (Note 6.4).

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
(US$ millions)				
Carrying amount				
Trade receivables	7.0	4.0	3.1	4.7
Related party receivables	29.0	23.9	18.3	11.7
Cash and cash equivalents	2.6	3.9	2.5	4.2
Lease liabilities	(0.5)	(0.7)	(0.5)	(0.6)
Trade payables	(1.7)	(1.1)	(0.5)	(1.9)
Related party payables	(3.1)	(3.0)	(3.0)	(2.8)
	33.3	27.0	19.9	15.3

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
(US$ millions)				
Fair value				
Trade receivables	7.0	4.0	3.1	4.7
Related party receivables	29.0	23.9	18.3	11.7
Cash and cash equivalents	2.6	3.9	2.5	4.2
Lease liabilities	(0.5)	(0.7)	(0.5)	(0.6)
Trade payables	(1.7)	(1.1)	(0.5)	(1.9)
Related party payables	(3.1)	(3.0)	(3.0)	(2.8)
	33.3	27.0	19.9	15.3

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.

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.

Related party receivables/payables

Related party receivables are interest bearing loans with set maturity dates and they accrue interest at rates that are set at arm's length. The related party loan payable is interest free and repayable on demand and, on the basis that the remaining life is less than one year, the notional amount is deemed to reflect the fair value.

5.5 ***Equity***

Members' equity

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
(US$ millions)				
Member's equity				
Retained earnings	47.5	35.9	29.1	21.1

5.6 ***Distributions to members***

	2019	2018	2017
(US$ millions)			
Distributions to members	1.6	0.9	1.8

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 Team Wendy's employees make to the performance of Team Wendy.

The following pages include disclosures on wages and salaries and share based payment schemes which allow employees to take an equity interest in Team Wendy.

This section also includes the contributions made to current defined contribution schemes.

6.1 ***Employees***

The total remuneration and associated costs during the year were:

	2019	2018	2017
(US$ millions)			
Wages and salaries	6.1	5.0	4.4
Social security costs	0.4	0.5	0.4
Other pension costs	0.1	0.1	0.3
US healthcare costs	0.5	0.4	0.1
Share based payments (Note 6.4)	0.6	–	–
	7.7	6.0	5.2

Amounts recognised as an expense under Team Wendy's defined contribution plan are included in the other pensions cost line.

The average monthly number of employees (including Executive Directors) during the year was 114 (2018: 96, 2017: 86).

At the end of the financial year the total number of employees in Team Wendy was 126 (2018: 96, 2017: 92).

Key management compensation

	2019	2018	2017
(US$ millions)			
Salaries and other employee benefits	1.6	1.4	1.3
Post-employment benefits	–	–	–
Share award	0.6	–	–
	2.2	1.4	1.3

6.2 ***Transactions with other related parties***

The following transactions occurred with entities controlled by the majority members of Team Wendy:

	2019	2018	2017
(US$ millions)			
Purchase of management services from entities controlled by related parties	0.6	0.6	0.5
Rental of corporate office, production and research and development facilities	0.2	0.2	0.2
Royalties paid to other related parties	0.2	0.2	0.2

Outstanding balances arising from purchases of goods and services

The following balances are outstanding at each reporting date in relation to transactions with related parties:

(US$ millions)	31 December 2019	31 December 2018	31 December 2017	1 January 2017
Current payables (purchases of goods and services)				
Entities ultimately controlled by related parties	0.1	0.1	–	–

Loans owed from/(owed to) related parties

(US$ millions)	31 December 2019	31 December 2018	31 December 2017	1 January 2017
Receivables from related parties				
Amounts owed from members	–	0.1	0.1	0.1
Amounts owed from other related parties	29.0	23.8	18.2	11.6
Related party receivables	29.0	23.9	18.3	11.7
Payables to related parties				
Related party loan payable	(0.7)	(0.7)	(0.7)	(0.7)
Other amounts payable	(2.4)	(2.3)	(2.3)	(2.1)
Amounts owed to members	(3.1)	(3.0)	(3.0)	(2.8)
	25.9	20.9	15.3	8.9

Related party receivables include amounts of US$28.6 million (2018: US$23.9 million, 2017: US$18.3 million and 1 January 2017: US$11.7 million) which are due in different tranches from 2021 to 2026.

At each reporting date, Team Wendy assesses whether receivables from related parties are credit impaired. Team Wendy has not made any provision for expected credit loss relating to amounts owed by related parties on the basis that any adjustment would be insignificant. Outstanding balances other than loans to key management personnel are unsecured and are repayable in cash.

6.3 ***Pensions and other retirement benefits***

Defined contribution pension scheme

The charge in respect of defined contribution pension schemes was US$0.1 million (2018: US$0.1 million, 2017: US$0.3 million).

6.4 ***Share based payments***

Team Wendy operates an equity settled deferred awards plan for Class B units which provide profit and capital participation in the company. Details of the plan, awards granted and outstanding are set out below. An expense of US$0.6 million (2018: US$ nil, 2017: US$ nil) was recognised in the year.

The table below summarises the movements in the number of deferred awards outstanding for Team Wendy:

	Number of awards		
	2019	2018	2017
Class B units			
Balance as at 1 January	4.9	4.9	4.9
Granted during the year	2.8	–	–
Balance as at 31 December	7.7	4.9	4.9

The fair value of the awards is estimated using a forward looking Probability-Weighted Expected Return Model ('PWERM') applying both a discount for a lack of control ('DLOC') adjustment and a discount for lack of marketability ('DLOM') adjustment reflecting that the units awarded represent a minority interest in the company and are illiquid.

The principal assumptions used were:

	2019	2018	2017
Key assumptions used:			
Risk-free interest rate (%)	3.5%	–	–
Expected term (yrs.)	3	–	–

7. Other

7.1 *Financial commitments*

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 historical financial information. Capital expenditure committed at the balance sheet date was US$ nil (2018: US$ nil, 2017: US$ nil, 1 January 2017: US$ nil).

7.2 *Group undertakings*

	Registered Office Address	Activity	Country in which Incorporated
Held by Parent Company			
TWFF, Inc.	127 Public Square, Cleveland, OH 44114	International sales	U.S.

TWFF, Inc. is wholly owned by Team Wendy and operates in the U.S.

7.3 *Post balance sheet event*

In March 2020, the World Health Organization declared the COVID-19 virus a pandemic, with the outbreak continuing to negatively impact the United States and the world. It is impossible to predict the effects and ultimate impact of the pandemic as the situation is rapidly evolving. Given the dynamic nature of these circumstances and the uncertainty as to the duration of business disruption, the ultimate impact on Team Wendy's results of operations, financial position and liquidity cannot be reasonably determined at this time. Team Wendy has been deemed to be an 'essential business' by the U.S. authorities and are therefore allowed to continue to operate even during a state-wide shutdown order. Management continue to be proactive in dealing with COVID-19 related risks by implementing precautions and suitable protocols as soon as a risk of an infection is identified to minimise disruption. Although Team Wendy has not experienced any significant impact on its operations, supply chain or workforce to date, management continues to monitor the situation closely as the outbreak presents general economic uncertainty and risk which could impact Team Wendy's future operations, performance and financial results.

7.4 ***First time adoption of IFRS***

This historical financial information is the first Team Wendy has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2019, Team Wendy prepared its financial statements in accordance with U.S. GAAP. In preparing the historical financial information, Team Wendy's opening consolidated balance sheet was prepared as at 1 January 2017, Team Wendy's date of transition to IFRS. This note explains the principal adjustments made by Team Wendy in restating its U.S. GAAP financial statements including the consolidated balance sheet as at 1 January 2017, 31 December 2017, 2018, 2019 and the consolidated statement of comprehensive income for the years ended 31 December 2017, 2018 and 2019.

Reconciliation of the consolidated balance sheet as at 1 January 2017 (date of transition to IFRS):

	Note	U.S. GAAP[(1)]	Re-measurements[(2)]	IFRS
(US$ millions)				
Assets				
Non-current assets				
Intangible assets	A, B	–	0.8	0.8
Property, plant and equipment	C	2.6	(1.3)	1.3
Right of use assets	D	–	0.5	0.5
Related party receivables		11.7	–	11.7
		14.3	–	14.3
Current assets				
Inventories		3.8	–	3.8
Trade and other receivables		4.7	–	4.7
Cash and cash equivalents		4.2	–	4.2
		12.7	–	12.7
Total assets		27.0	–	27.0
Liabilities				
Current liabilities				
Trade and other payables		(5.3)	–	(5.3)
Lease liabilities	D	–	(0.2)	(0.2)
		(5.3)	(0.2)	(5.5)
Net current assets		7.4	(0.2)	7.2
Non-current liabilities				
Lease liabilities	D	–	(0.4)	(0.4)
		–	(0.4)	(0.4)
Net assets		21.7	(0.6)	21.1
Members' equity				
Retained earnings		21.7	(0.6)	21.1
Total equity		21.7	(0.6)	21.1

Reconciliation of the consolidated balance sheet as at 31 December 2017:

	Note	U.S. GAAP(1)	Re-measurements(2)	IFRS
(US$ millions)				
Assets				
Non-current assets				
Intangible assets	A, B	–	1.0	1.0
Property, plant and equipment	C	2.7	(1.4)	1.3
Right of use assets	D	–	0.5	0.5
Related party receivables		18.3	–	18.3
		21.0	0.1	21.1
Current assets				
Inventories		7.2	–	7.2
Trade and other receivables		4.2	–	4.2
Cash and cash equivalents		2.5	–	2.5
		13.9	–	13.9
Total assets		34.9	0.1	35.0
Liabilities				
Current liabilities				
Trade and other payables		(5.4)	–	(5.4)
Lease liabilities	D	–	(0.2)	(0.2)
		(5.4)	(0.2)	(5.6)
Net-current assets		8.5	(0.2)	8.3
Non-current liabilities				
Lease liabilities	D	–	(0.3)	(0.3)
		–	(0.3)	(0.3)
Net assets		29.5	(0.4)	29.1
Members' equity				
Retained earnings		29.5	(0.4)	29.1
Total equity		29.5	(0.4)	29.1

Reconciliation of the consolidated balance sheet as at 31 December 2018:

	Note	U.S. GAAP(1)	Re-measurements(2)	IFRS
(US$ millions)				
Assets				
Non-current assets				
Intangible assets	A, B	–	1.1	1.1
Property, plant and equipment	C	3.0	(1.4)	1.6
Right of use assets	D	–	0.7	0.7
Related party receivables		23.9	–	23.9
		26.9	0.4	27.3
Current assets				
Inventories		6.4	–	6.4
Trade and other receivables		4.3	–	4.3
Cash and cash equivalents		3.9	–	3.9
		14.6	–	14.6
Total assets		41.5	0.4	41.9

	Note	U.S. GAAP[1]	Re-measurements[2]	IFRS
(US$ millions)				
Liabilities				
Current liabilities				
Trade and other payables		(5.3)	–	(5.3)
Lease liabilities	D	–	(0.2)	(0.2)
		(5.3)	(0.2)	(5.5)
Net-current assets		9.3	(0.2)	9.1
Non-current liabilities				
Lease liabilities	D	–	(0.5)	(0.5)
		–	(0.5)	(0.5)
Net assets		36.2	(0.3)	35.9
Members' equity				
Retained earnings		36.2	(0.3)	35.9
Total equity		36.2	(0.3)	35.9

Reconciliation of the consolidated balance sheet as at 31 December 2019:

	Note	U.S. GAAP[1]	Re-measurements[2]	IFRS
(US$ millions)				
Assets				
Non-current assets				
Intangible assets	A, B	–	1.3	1.3
Property, plant and equipment	C	4.1	(1.3)	2.8
Right of use assets	D	–	0.4	0.4
Related party receivables		28.6	–	28.6
		32.7	0.4	33.1
Current assets				
Inventories		11.9	–	11.9
Trade and other receivables		7.5	–	7.5
Cash and cash equivalents		2.6	–	2.6
		22.0	–	22.0
Total assets		54.7	0.4	55.1
Liabilities				
Current liabilities				
Trade and other payables		(7.1)	–	(7.1)
Lease liabilities	D	–	(0.3)	(0.3)
		(7.1)	(0.3)	(7.4)
Net-current assets		14.9	(0.3)	14.6
Non-current liabilities				
Lease liabilities	D	–	(0.2)	(0.2)
		–	(0.2)	(0.2)
Net assets		47.6	(0.1)	47.5
Members' equity				
Retained earnings	E	47.6	(0.1)	47.5
Total equity		47.6	(0.1)	47.5

Reconciliation of the consolidated statement of comprehensive income for the year ended 31 December 2017:

	Note	U.S. GAAP[(1)]	Re-measurements[(2)]	IFRS
(US$ millions)				
Continuing operations				
Revenue		27.2	–	27.2
Cost of sales	A	(12.2)	(0.3)	(12.5)
Selling and distribution costs		(1.9)	–	(1.9)
General and administrative expenses	B, C, D	(3.7)	0.5	(3.2)
Other income		–	–	–
Operating profit/(loss)		9.4	0.2	9.6
Finance income		0.3	–	0.3
Finance costs		–	–	–
Profit before tax		9.7	0.2	9.9
Income tax expense		(0.1)	–	(0.1)
Profit/total comprehensive income for the year		9.6	0.2	9.8

Reconciliation of the consolidated statement of comprehensive income for the year ended 31 December 2018:

	Note	U.S. GAAP[(1)]	Re-measurements[(2)]	IFRS
(US$ millions)				
Continuing operations				
Revenue		29.4	–	29.4
Cost of sales	A	(15.1)	(0.5)	(15.6)
Selling and distribution costs		(1.7)	–	(1.7)
General and administrative expenses	B, C, D	(5.4)	0.7	(4.7)
Other income		–	–	–
Operating profit/(loss)		7.2	0.2	7.4
Finance income		0.5	–	0.5
Finance costs		–	–	–
Profit before tax		7.7	0.2	7.9
Income tax expense		(0.2)	–	(0.2)
Profit/total comprehensive income for the year		7.5	0.2	7.7

Reconciliation of the consolidated statement of comprehensive income for the year ended 31 December 2019:

	Note	U.S. GAAP[(1)]	Re-measurements[(2)]	IFRS
(US$ millions)				
Continuing operations				
Revenue		44.2	–	44.2
Cost of sales	A	(23.9)	(0.6)	(24.5)
Selling and distribution costs		(2.6)	–	(2.6)
General and administrative expenses	B, C, D, E	(5.6)	0.3	(5.3)
Other income		0.3	–	0.3
Operating profit/(loss)		12.4	(0.3)	12.1
Finance income		0.6	–	0.6
Finance costs		–	–	–
Profit before tax		13.0	(0.3)	12.7
Income tax expense		(0.1)	–	(0.1)
Profit/total comprehensive income for the year		12.9	(0.3)	12.6

(1) U.S. GAAP figures in the consolidated balance sheets and consolidated income statements have been re-presented in accordance with Avon Rubber's presentation format.

(2) Certain remeasurement adjustments have been made to present the consolidated balance sheet as at 1 January 2017, 31 December 2017, 31 December 2018 and 31 December 2019 and the consolidated income statement for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 to comply with the adoption of IFRS.

The transition from U.S. GAAP to IFRS has not had a material impact on the statement of cash flows.

Description of the effects of the transition to IFRS

Remeasurement adjustments for adoption of IFRS:

(A) Research and development costs – Historically Team Wendy has expensed all of its research and development costs. Under IFRS, subject to meeting specific recognition criteria, an intangible asset arising from the development of new products is required to be capitalised and amortised over its useful life. As a result, intangible assets of US$1.3 million, US$1.0 million, U$0.8 million and US$0.7 million were recognised as at 31 December 2019, 31 December 2018, 31 December 2017 and 1 January 2017 respectively. After reversing previously expensed development costs and recognising amortisation charges, the net impact was to increase profit by US$0.3 million, US$0.2 million and US$0.1 million for the years ended 31 December 2019, 31 December 2018 and 31 December 2017 respectively.

(B) Software cost capitalisation – Under IFRS, costs incurred in relation to the ERP implementation in 2017 and the design of the Team Wendy website in 2016 were required to be capitalised under IAS 38. This resulted in US$0.1 million being capitalised as at 1 January 2017 with subsequent amortisation.

(C) Property, plant and equipment – Leasehold improvements were depreciated over a useful life of 40 years. This policy was changed such that leasehold improvements were depreciated over a useful life of 10 years. This resulted in a decrease of $1.3million in the net book value of the leasehold improvements at 1 January 2017 with an adjustment to retained earnings.

(D) Lease capitalisation – Under the then applicable U.S. GAAP, operating lease charges were expensed over the life of the lease. Under IFRS Team Wendy has adopted IFRS 16 and applied it retrospectively through all periods presented. A right of use asset and a lease liability has been recognised at each balance sheet date and an interest expense (in finance costs) and depreciation charge (in general and administrative expenses) has been recognised in the consolidated income statement. Previous operating lease charges of US$0.2 million were reversed in each income statement period. The net impact in each income statement was less than US$0.1 million. A right of use asset of US$0.4 million, US$0.7 million, US$0.5 million and US$0.5 million, and a lease liability of US$0.5 million, US$0.7 million, US$0.5 million and US$0.6 million was recognised as at 31 December 2019, 31 December 2018, 31 December 2017 and 1 January 2017 respectively.

(E) Share-based payments – Under U.S. GAAP, share-based awards were granted in 2019 relating to employment services provided to Team Wendy. No charge was recognised in relation to the granting of these Class B units of Team Wendy in 2019. Under IFRS, an equity settled share-based payment required an expense to be recognised for the employee services received over the vesting period. This resulted in an expense of US$0.6 million being recognised in general and administrative expenses in the income statement for the year ended 31 December 2019.

Part B: Accountant's Report in relation to the Historical Financial Information of Team Wendy

The Directors
Avon Rubber p.l.c.
Hampton Park West
Semington Road
Melksham
Wiltshire SN12 6NB
England

Evercore Partners International LLP
15 Stanhope Gate
London
W1K 1LN

11 September 2020

Dear Ladies and Gentlemen

Team Wendy, LLC

We report on the financial information relating to Team Wendy, LLC ("**Team Wendy**") for the three years ended 31 December 2017, 31 December 2018 and 31 December 2019 set out in Part A of Part IV (the "**Financial Information Table**"). The Financial Information Table has been prepared for inclusion in the Class 1 circular dated 11 September 2020 (the "**Circular**") of Avon Rubber p.l.c. (the "**Company**") on the basis of the accounting policies set out in note 1 to the Financial Information Table. This report is required by item 13.5.21R of the Listing Rules of the Financial Conduct Authority (the "**Listing Rules**") and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the Financial Information Table in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the Financial Information Table gives a true and fair view, for the purposes of the Circular and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

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Basis for qualified opinion

There was previously no statutory requirement for the financial statements of Team Wendy to be audited and as such a statutory auditor was not in place at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019. As a result, a statutory auditor did not observe the counting of the physical inventories at 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019. We have been unable to satisfy ourselves by alternative means concerning inventory quantities held as at 1 January 2017, 31 December 2017, 31 December 2018 and 31 December 2019. As a result of these matters, we were unable to determine whether any adjustments might have been found to be necessary in respect of the carrying amount of inventories. Since inventories enter into the determination of the financial performance and cash flows, we were also unable to determine whether adjustments might have been necessary in respect of the profits reported in the Consolidated Statement of Comprehensive Income and the net cash flows from operating activities reported in the Consolidated Cash Flow Statement for each of the years reported in the Financial Information Table in Part A of Part IV of this document. Our opinion in respect of the state of the affairs of Team Wendy as at 31 December 2017, 31 December 2018 and 31 December 2019 and of the profit for the years then ended regarding the Financial Information Table is modified in this respect.

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to Team Wendy's circumstances, consistently applied and adequately disclosed.

We planned our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph above, the Financial Information Table gives, for the purposes of the Circular dated 11 September 2020, a true and fair view of the state of affairs of Team Wendy as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART V

UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE ENLARGED GROUP

Part A: Unaudited Pro Forma Financial Information

The unaudited pro forma financial information set out below has been prepared to illustrate the effect of the Acquisition on: (i) the net assets of Avon Rubber as at 31 March 2020 as if the Acquisition had taken place on 31 March 2020; and (ii) the consolidated income statement of Avon Rubber for the year ended 30 September 2019 as if the Acquisition had taken place on 1 October 2018 (together, the "**Unaudited Pro Forma Financial Information**").

The Unaudited Pro Forma Financial Information has been prepared on a consistent basis with the accounting policies and presentation adopted by Avon Rubber in relation to the unaudited condensed consolidated interim financial information for the half year ended 31 March 2020 on the basis of notes set out below and in accordance with Listing Rule 13.3.3R.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Enlarged Group's actual financial position or results.

The Unaudited Pro Forma Financial Information does not purport to represent what Avon Rubber's or the Enlarged Group's financial position or results would have been if the Acquisition had actually taken place on the dates indicated nor does it purport to represent Avon Rubber's or the Enlarged Group's results expected to be achieved in the future.

The Unaudited Pro Forma Financial Information does not constitute financial statements within the meaning of section 434 of the Companies Act 2006. Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part V.

PwC's report on the Unaudited Pro Forma Financial Information is set out in Part B of this Part V.

Unaudited pro forma statement of net assets of the Enlarged Group

	Avon Rubber As at 31 March 2020	Team Wendy As at 31 December 2019	Adjustments: Debt financing adjustments	Adjustments: Acquisition adjustments	Unaudited pro forma Enlarged Group
	£m Note 1	£m Note 2	£m Note 3	£m Note 4	£m Note 5
Assets					
Non-current assets					
Intangible assets	84.1	1.1	–	90.2	175.4
Property, plant and equipment	42.7	2.3	–	–	45.0
Right of use assets	17.4	0.3	–	2.1	19.8
Deferred tax assets	15.9	–	–	–	15.9
Trade and other receivables	–	23.4	–	(23.4)	–
	160.1	27.1	–	68.9	256.1
Current assets					
Inventories	43.9	9.8	–	–	53.7
Trade and other receivables	50.9	6.1	–	(0.3)	56.7
Cash and cash equivalents	7.8	2.1	108.1	(114.1)	3.9
	102.6	18.0	108.1	(114.4)	114.3
Total assets	262.7	45.1	108.1	(45.5)	370.4
Liabilities					
Current liabilities					
Borrowings	53.6	–	108.4	–	162.0
Lease liabilities	2.1	0.2	–	0.1	2.4
Trade and other payables	45.4	5.9	–	(2.2)	49.1
Derivative financial instruments	0.2	–	–	–	0.2
Current tax liabilities	1.1	–	–	–	1.1
	102.4	6.1	108.4	(2.1)	214.8
Net current assets/(liabilities)	0.2	11.9	(0.3)	(112.3)	(100.5)
Non-current liabilities					
Lease liabilities	19.0	0.2	–	1.9	21.1
Deferred tax liabilities	8.3	–	–	–	8.3
Retirement benefit obligations	49.7	–	–	–	49.7
Provisions for liabilities and charges	2.9	–	–	–	2.9
	79.9	0.2	–	1.9	82.0
Net assets	80.4	38.8	(0.3)	(45.3)	73.6

Notes to the unaudited pro forma statement of net assets of the Enlarged Group

(1) The net assets of Avon Rubber as at 31 March 2020 have been extracted, without material adjustment, from the Avon Rubber unaudited interim financial statements for the six months ended 31 March 2020 incorporated by reference into this document.

(2) The net assets of Team Wendy as at 31 December 2019 have been extracted, without material adjustment, from the historical financial information of Team Wendy for the year ended 31 December 2019, as set out in Part A of Part IV (*Historical Financial Information relating to Team Wendy*) of this document. The Accountant's Report in relation to the Historical Financial Information relating to Team Wendy contains a qualification in respect of the carrying amount of inventories, as set out in Part B of Part IV (*Historical Financial Information relating to Team Wendy*) of this document. The financial information has been translated from US$ to GBP using the closing exchange rate at 31 March 2020 of US$1.223:£1.

(3) This adjustment relates to the drawdown of US$134.4 million (£109.9 million) from the New RCF. The increase in Cash and cash equivalents represents the drawdown of £109.9 million offset by arrangement fees totalling US$1.8 million (£1.5 million)

and utilisation fees totalling US$0.4 million (£0.3 million). The increase in Borrowings represents the drawdown of £109.9 million offset by the arrangement fees of £1.5 million, which have been capitalised within Borrowings. The utilisation fees of £0.3 million have been recognised within finance costs in the pro forma income statement.

(4) The acquisition adjustments reflect the following:

a) The Unaudited Pro Forma Financial Information has been prepared on the basis that the Acquisition of Team Wendy by Avon Rubber will be treated as a business combination in accordance with IFRS 3 Business Combinations. Avon Rubber expects to undertake a fair value exercise following completion of the Acquisition and no account has been taken of any fair value adjustments to the acquired assets and liabilities of Team Wendy in the Unaudited Pro Forma Financial Information. For the purposes of the Unaudited Pro Forma Financial Information the excess of the purchase consideration over the carrying amount of net assets acquired has been attributed to goodwill. The calculation of the total consideration and adjustment to goodwill is set out below, with all amounts having been translated from US$ to GBP using the closing exchange rate at 31 March 2020 of US$1.223:£1.

	£m	£m
Purchase price	106.3	
Add: estimated adjustment in respect of Team Wendy cash	2.1	
Add: estimated adjustment in respect of target net working capital	2.0	
Less: adjustment for transaction related expenses borne by Team Wendy	(2.9)	
Total consideration		107.5
Less carrying value of net assets acquired as at 31 December 2019:		
Team Wendy net assets	38.8	
Settlement of receivables from related parties	(23.7)	
Settlement of borrowings owed to related parties	2.2	
Pro forma net assets acquired		(17.3)
Goodwill on acquisition		90.2

b) On completion of the Acquisition, Avon Rubber will enter into an amended and restated lease in relation to the Team Wendy manufacturing facility, warehousing and office space. The pro forma statement of net assets includes an adjustment to remove the right of use asset and lease liability associated with the original lease and add the estimated right of use asset and lease liability associated with the amended lease. The adjustment results in an increase in right of use assets totalling £2.1 million and an increase in lease liabilities totalling £2.0 million.

c) The decrease in Cash and cash equivalents of £114.1 million comprises the payment of Total consideration totalling £107.5 million and the payment of transaction fees totalling US$8.0 million (£6.6 million).

(5) Separate to the Acquisition, Avon Rubber is currently in the process of divesting the milkrite | InterPuls business, completion of which is subject to the finalisation of certain competition clearance requirements. The divestment of milkrite | InterPuls is expected to complete in the first quarter of Avon Rubber's 2021 financial year and is conditional upon obtaining the relevant competition clearance approvals in various territories. Since this is outside the control of the Group, the effect of the divestment has not been included in the unaudited pro forma financial information.

The table below illustrates the impact of pro forma adjustments to Net assets and Cash and cash equivalents that would have been required for the Enlarged Group had the divestment of milkrite | InterPuls been included in the unaudited pro forma financial information. The balances for milkrite | InterPuls have been extracted, without material adjustment, from the accounting records of Avon Rubber after deducting the net intercompany balances with Avon Rubber which are expected to be settled on completion of the divestment. As disclosed in its announcement dated 2 July 2020, post tax and transaction costs, Avon Rubber expects to receive net proceeds before customary adjustments of circa £160 million. In addition, connected with the divestment, Avon Rubber has agreed with the trustees of its U.K. pension scheme to make a one-time contribution of £20 million to strengthen the scheme's funding position following completion, which has been deducted in arriving at Net proceeds below.

	Unaudited pro forma Enlarged Group as at 31 March 2020 incl. milkrite	InterPuls	milkrite	InterPuls as at 31 March 2020	Net proceeds from the sale of milkrite	InterPuls (after deducting connected pension contributions totalling £20 million)	Unaudited pro forma Enlarged Group as at 31 March 2020 excl. milkrite	InterPuls
	£m	£m	£m	£m
Net assets	73.6	(34.1)	–	39.5
Cash and cash equivalents	3.9	(2.7)	140.0	141.2

(6) Team Wendy's current LLC structure results in it being transparent from a U.S. corporate income tax perspective, with U.S. corporate income tax historically being paid by its owners. No adjustments for current or deferred tax have been made in the pro forma statement of net assets.

(7) No adjustment has been made to reflect the financial results of either Avon Rubber since 31 March 2020 or Team Wendy since 31 December 2019.

Unaudited pro forma income statement of the Enlarged Group

			Adjustments		
	Avon Rubber Year ended 30 September 2019	**Team Wendy Year ended 31 December 2019**	**Debt financing adjustments**	**Acquisition adjustments**	**Unaudited pro forma Enlarged Group**
	£m Note 1	**£m Note 2**	**£m Note 3**	**£m Note 4**	**£m Note 5**
Continuing operations					
Revenue	179.3	34.6	–	–	213.9
Costs of sales	(106.8)	(19.2)	–	–	(126.0)
Gross profit	72.5	15.4	–	–	87.9
Selling and distribution costs	(20.4)	(2.0)	–	–	(22.4)
General and administrative expenses	(37.0)	(4.2)	–	(6.6)	(47.8)
Other income	–	0.2	–	–	0.2
Operating profit	15.1	9.4	–	(6.6)	17.9
Interest income	0.4	0.5	–	(0.5)	0.4
Finance costs	(1.0)	–	(4.6)	(0.1)	(5.7)
Other finance expense	(0.8)	–	–	–	(0.8)
Profit before taxation	13.7	9.9	(4.6)	(7.2)	11.8
Taxation	0.6	(0.1)	–	–	0.5
Profit for the period	14.3	9.8	(4.6)	(7.2)	12.3

Notes to the unaudited pro forma income statement of the Enlarged Group

(1) The income statement of Avon Rubber for the year ended 30 September 2019 has been extracted, without material adjustment, from the restated comparative amounts for the year ended 30 September 2019 included within the Avon Rubber unaudited condensed consolidated interim financial information for the half year ended 31 March 2020 incorporated by reference into this document as set out in paragraph 13 of Part VI (*Additional Information*) of this document. The restatements reflect the impact of the adoption of IFRS 16 'Leases' on the results for the year ended 30 September 2019.

(2) The income statement of Team Wendy for the year ended 31 December 2019 has been extracted, without material adjustment, from the historical financial information of Team Wendy for the year ended 31 December 2019, as set out in Part A of Part IV (*Historical Financial Information relating to Team Wendy*) of this document. The Accountant's Report in relation to the Historical Financial Information relating to Team Wendy contains a qualification in respect of the carrying amount of inventories, as set out in Part B of Part IV (*Historical Financial Information relating to Team Wendy*) of this document. The financial information has been translated from USD to GBP using the average exchange rate for the year ended 30 September 2019 of US$1.276:£1.

(3) The pro forma income statement adjustment to finance costs reflects the cost associated with the New RCF which would have been incurred had the New RCF been in place and drawn down from 1 October 2018. The adjustment comprises estimated interest charges of £3.8 million, amortisation of the arrangement fee totalling £0.5 million and utilisation fees totalling £0.3 million.

(4) The acquisition adjustments reflect the following:

a) For the purposes of the unaudited pro forma income statement, transaction costs expected to be incurred of US$8.0 million (£6.3 million) in connection with the Acquisition have been reflected in General and administrative expenses.

b) On completion of the Acquisition, Avon Rubber will enter into an amended and restated lease in relation to the Team Wendy manufacturing facility, warehousing and office space. The pro forma income statement includes an adjustment to remove the costs incurred by Team Wendy in the financial year ended 31 December 2019 associated with the original lease and add the estimated costs associated with the amended lease. The adjustment results in an increase in depreciation of right of use assets totalling £0.3 million and an increase in finance costs totalling £0.1 million.

c) Interest income of £0.5 million has been reversed in relation to interest arising from receivables from related parties, which will be settled on completion of the Acquisition.

(5) The unaudited pro forma income statement does not reflect the effect of any fair value adjustments which may be recorded to acquired assets and liabilities. Upon completion of the purchase price allocation exercise, which will be finalised following completion of the Acquisition, additional amortisation of intangible assets and tax charges incurred, amongst other things, may be required in the Enlarged Group's financial statements.

(6) Team Wendy's current LLC structure results in it being transparent from a U.S. corporate income tax perspective, with U.S. corporate income tax historically being paid by its owners. No adjustments for current or deferred tax have been made in the pro forma income statement.

(7) Separate to the Acquisition, Avon Rubber is currently in the process of divesting the milkrite | InterPuls business, completion of which is subject to the finalisation of certain competition clearance requirements. The divestment of milkrite | InterPuls is expected to complete in the first quarter of Avon Rubber's 2021 financial year and is conditional upon obtaining the relevant competition clearance approvals in various countries prior to completion. Since this is outside the control of the Group, the effect of the divestment has not been included in the unaudited pro forma financial information.

The table below illustrates the impact of pro forma adjustments to Revenue and Operating profit that would have been required for the Enlarged Group had the divestment of milkrite | InterPuls been included in the unaudited pro forma financial information. The results for milkrite | InterPuls have been extracted, without material adjustment, from the restated comparative amounts for the year ended 30 September 2019 included within note 2.1 of the Avon Rubber unaudited condensed consolidated interim financial information for the six months ended 31 March 2020 incorporated by reference into this document as set out in paragraph 13 of Part VI (*Additional Information*) of this document. The restatements reflect the impact of the adoption of IFRS 16 'Leases' on the results for the year ended 30 September 2019.

	Unaudited pro forma Enlarged Group for the year ended 30 September 2019 incl. milkrite | InterPuls	**milkrite | InterPuls for the year ended 30 September 2019**	**Unaudited pro forma Enlarged Group for the year ended 30 September 2019 excl. milkrite | InterPuls**
	£m	**£m**	**£m**
Revenue	213.9	(50.9)	163.0
Operating profit	17.9	(4.0)	13.9

(8) No adjustment has been made to reflect any synergies that may arise subsequent to the Acquisition.

(9) No adjustment has been made to reflect the financial results of either Avon Rubber since 30 September 2019 or Team Wendy since 31 December 2019.

Part B: Accountant's Report on Unaudited Pro Forma Financial Information

The Directors
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11 September 2020

Dear Ladies and Gentlemen

Avon Rubber p.l.c. (the "**Company**")

We report on the unaudited pro forma financial information (the "**Pro Forma Financial Information**") set out in Part A of Part V of the Company's investment circular dated 11 September 2020 (the "**Circular**") which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the acquisition of Team Wendy, LLC might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the unaudited condensed consolidated interim financial information for the half year ended 31 March 2020. This report is required by item 13.3.3R of the Listing Rules of the U.K. Listing Authority (the "**Listing Rules**") and is given for the purpose of complying with that Listing Rule and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with item 13.3.3R of the Listing Rules.

It is our responsibility to form an opinion, as required by item 13.3.3R of the Listing Rules as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

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Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

a) the Pro Forma Financial Information has been properly compiled on the basis stated; and

b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART VI

ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors, whose names appear in paragraph 3 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Avon Rubber

The Company was incorporated and registered in England and Wales as a public limited company on 13 December 1890 with registered number 00032965 and the name The Avon India Rubber Company, Limited. Its name was changed on 8 October 1963 to Avon Rubber Company Limited. On 23 December 1981, the Company re-registered as a public limited company and changed its name to Avon Rubber p.l.c.

The principal legislation under which Avon Rubber operates is the Companies Acts and the regulations made thereunder.

Avon Rubber is headquartered in the United Kingdom with its registered office at Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB, England.

3. Directors

3.1 *Directors*

The Directors as at the date of this document and their respective roles are set out below:

Name	*Position*
David Evans	Non-Executive Chair
Paul McDonald	Chief Executive Officer
Nick Keveth	Chief Financial Officer
Bindi Foyle	Non-Executive Director
Chloe Ponsonby	Non-Executive Director
Bruce Thompson	Non-Executive Director and Chair Designate
Pim Vervaat	Non-Executive Director

The business address of each Director is Avon Rubber's registered office.

3.2 *Share interests*

The Directors have the following interests in the Ordinary Shares (including beneficial interests or interests of a person connected with a Director) as at the Latest Practicable Date:

	Interests as at the Latest Practicable Date	
Directors	**No.**	**% of total issued share capital**
Paul McDonald	35,922	0.116
Nick Keveth	14,065	0.045
David Evans	25,019	0.081
Bindi Foyle	nil	n/a
Chloe Ponsonby	4,550	0.015
Bruce Thompson	nil	n/a
Pim Vervaat	7,500	0.024

Taken together, the combined percentage interest of the Directors voting rights in respect of the issued ordinary share capital of the Company as at the Latest Practicable Date is 0.28%.

3.3 ***Share awards***

The Directors had the following options and awards relating to the Ordinary Shares under the Company's employee share schemes as at the Latest Practicable Date:

Directors	Plan	Original date of grant	Exercise price (if any) (£)	No. of shares subject to awards	Exercise period
Paul McDonald	Avon Rubber LTIP	17 March 2020	Nil	31,734	17 March 2023 – 16 March 2030
	Avon Rubber LTIP	20 March 2019	Nil	38,599	20 March 2022 – 19 March 2029
	Avon Rubber PSP	6 December 2017	Nil	26,511	6 December 2020 – 5 December 2027
Nick Keveth	Avon Rubber LTIP	17 March 2020	Nil	22,059	17 March 2023 – 16 March 2030
	Avon Rubber LTIP	20 March 2019	Nil	26,722	20 March 2022 – 19 March 2029
	Avon Rubber PSP	6 December 2017	Nil	20,325	6 December 2020 – 5 December 2027

3.4 ***Summary of Directors' remuneration and benefits***

A summary of the amount of remuneration paid to the Directors (including any contingent or deferred compensation) and benefits in kind for the year ended 30 September 2019 is set out in the table below. The Directors are categorised in their positions as at 30 September 2019 for these purposes.

(a) *Executive Directors*

	Basic salary and fees	Benefits	Annual bonus	Long-term incentives	Pension	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Paul McDonald	390	2	214	117	49	771
Nick Keveth	270	2	148	–	41	461

(b) *Chair and Non-Executive Directors*[(1)]

	Basic salary and fees	Committee/ Senior independent director fee	Benefits	Total
	£'000	£'000	£'000	£'000
David Evans..	140	N/A	4	144
Chloe Ponsonby..	51	–	–	51
Pim Vervaat...	56	–	–	56

Notes:

(1) Bindi Foyle and Bruce Thompson were appointed as non-executive directors on 1 May 2020 and 1 March 2020, respectively.

3.5 ***Directors' terms and conditions***

Save as disclosed below, there are no service agreements or letters of appointment in force between a director or proposed director of Avon Rubber or any of its subsidiaries and, save as disclosed below, no such agreement has been entered into or amended during the six months' preceding the date of this document. All the Directors retire and seek election or re-election at Annual General Meetings in accordance with the U.K. Corporate Governance Code.

(a) *Executive Directors*

	Date of appointment	Notice period by Company (months)	Notice period by Director (months)
Paul McDonald	15 February 2017	12	12
Nick Keveth	1 June 2017	12	12

Paul's service agreement provides for notice of 12 months from the Company and 12 months from Paul. However, the Company may terminate his employment by giving six month's written notice, if Paul has exhausted his entitlement to sick pay in accordance with his service agreement. The Company may also, in its sole discretion, terminate his employment immediately by written notice and make a payment and provide benefits in lieu of any period of notice. Paul's service agreement is terminable immediately in certain circumstances (such as the occurrence of any gross misconduct or non-compliance with any material term of the service agreement).

Paul's salary is subject to review by the Company's Remuneration Committee from time to time. Paul is eligible to participate in the Company's annual bonus scheme and pension scheme.

Nick's service agreement provides for notice of 12 months from the Company and 12 months from Nick. However, the Company may terminate his employment by giving six month's written notice, if Nick has exhausted his entitlement to sick pay in accordance with his service agreement. The Company may also, in its sole discretion, terminate his employment immediately by written notice and make a payment and provide benefits in lieu of any period of notice. Nick's service agreement is terminable immediately in certain circumstances (such as the occurrence of any gross misconduct or non-compliance with any material term of the service agreement).

Nick's salary is subject to review by the Company's Remuneration Committee from time to time. Nick is eligible to participate in the Company's annual bonus scheme and pension scheme.

Each Executive Director is entitled to private medical insurance and life assurance. Bonuses are paid in cash and shares.

(b) *Non-Executive Directors*

	Date of appointment	Notice period by Company (months)	Notice period by Director (months)
David Evans	1 June 2007	Three	Three
Bindi Foyle	1 May 2020	Three	Three
Chloe Ponsonby	1 March 2016	Three	Three
Bruce Thompson[1]	1 March 2020	Six	Six
Pim Vervaat	1 March 2015	Three	Three

Notes:

(1) Bruce Thompson will succeed the current Chair, David Evans, on his retirement, which is currently expected to be no later than the Company's annual general meeting in January 2021.

Remuneration of Non-Executive Directors consists of a base fee covering their service as a non-executive director, additional fees for the senior independent director, for the chairmanship of any committee, for the director responsible for employee engagement (as applicable) and for attending meetings of relevant committees. The Non-Executive Directors also receive reimbursement for expenses incurred in preforming their duties (excluding travel expenses for travel to and from their normal place of work). Apart from these fees, no other remuneration is provided to the Non-Executive Directors. Non-Executive Directors do not participate in any of Avon Rubber's employee share schemes. Non-Executive Directors are not formally required to hold any qualifying shares in the Company but they are encouraged to do so.

The Chair, who has a letter of appointment, was originally appointed for an initial term of three years from 1 June 2007, which was subsequently renewed until 1 June 2010. On 1 June 2010, the Board agreed to extend the period of appointment on a rolling annual basis. The Non-Executive Directors, who have letters of appointment, are appointed on a rolling annual basis, with renewal subject to annual re-election. Their relevant notice periods are set out in the table above.

None of the Non-Executive Directors' appointment terms provide for a specific payment or compensation in the event of termination of the appointment.

4. Financing arrangements

Existing RCF

On 28 June 2018, Avon Rubber entered into a revolving credit facility between: (i) Avon Rubber as company, (ii) Avon Rubber and Avon Rubber & Plastics, Inc. as original borrowers, (iii) Avon Rubber, Avon Polymer Products Limited, Avon Rubber Overseas Limited, Avon Rubber & Plastics, Inc., Avon Protection, milkrite | InterPuls, Inc. and InterPuls S.p.A. as original guarantors, (iv) Barclays Bank PLC and Comerica Bank as arrangers and as original lenders, (v) Barclays Bank PLC as documentation agent and (vii) Barclays Bank PLC as agent (the "**Existing RCF**").

The facility made available under the Existing RCF is a US$85 million multicurrency revolving credit facility, subject to the satisfaction of certain conditions precedent. The Existing RCF is available for drawing in U.S. dollars, sterling, euro and other currencies (subject to certain conditions). Amounts borrowed under the Existing RCF may be used for general corporate and working capital purposes of the Group (including the funding of permitted acquisitions and the fees, costs, taxes and expenses associated with such acquisitions).

The Existing RCF contains an accordion feature whereby Avon Rubber may give 25 business days' notice to the Agent that it wishes to increase the total commitments under the Existing RCF by up to US$35 million in aggregate and subject to the agreement of the lenders.

The rate of interest on each loan under the New RCF is the percentage rate per annum which is equal to the aggregate of LIBOR (or if the loan is denominated in euro, EURIBOR) and the margin, which is subject to the following ratchet, depending on certain conditions including the level of leverage for the Avon Rubber Group as at the relevant period:

Leverage	Margin % per annum
Greater than or equal to 2:1	1.75
Less than 2:1 but greater than or equal to 1.5:1	1.50
Less than 1.5:1 but greater than or equal to 1:1	1.20
Less than 1:1	1.00

Avon Rubber may select interest periods for each loan of one, three or six months or any other period agreed with all the lenders. Each loan must be repaid in full and the accrued interest together with such loan must be paid on the last day of each interest period (and at six monthly periods after the first day of such interest period, if the interest period is longer than six months). The Existing RCF may be prepaid without premium or penalty but subject to breakage costs (if applicable). Certain fees and expenses are also payable, including an agent's fee, an arrangement fee and a commitment fee. Subject to its terms, amounts repaid under the Existing RCF may be re-borrowed. Subject to certain conditions, Avon Rubber may voluntarily prepay utilisations and/or permanently cancel all or part of the Existing RCF by giving prior notice to the Agent.

The maturity date of the Existing RCF is 22 June 2022. The Existing RCF contains an extension option whereby Avon Rubber may give notice to the Agent that it wishes to extend the maturity date of the Existing RCF by an additional 365 days.

The Existing RCF contains customary representations, undertakings and events of default with certain carve-outs, materiality thresholds and grace periods (where relevant). The undertakings include, among others, restrictions on the creation of security, the disposal of assets and acquisitions (each with permitted exceptions). The Existing RCF also contains the following financial covenants relating to leverage and interest cover (tested quarterly), and an undertaking as to guarantor coverage:

a) *Interest Cover*

Interest Cover (generally, the ratio of the Group's EBITDA to the aggregate amount of the Group's finance payments (e.g. interest, commission, fees etc.) in respect of borrowings) in respect of any 12 month period ending on each of 31 March, 30 June, 30 September and 31 December shall not be less than the ratio of 4.00:1.

b) *Leverage*

Leverage (generally, the ratio of the Group's total net debt to the Group's EBITDA) in respect of any 12 month period ending on each of 31 March, 30 June, 30 September and 31 December shall not exceed the ratio of 3.00:1.

The guarantor coverage undertaking requires the Existing RCF Facility to be guaranteed by those members of the Avon Rubber Group who together have an aggregate earnings before interest and tax ("**EBIT**") and aggregate gross assets, aggregate net assets and aggregate turnover in excess of 80% of EBIT and 80% of the consolidated gross assets, net assets and turnover of the Group respectively.

The Existing RCF is governed by English law.

As at the Latest Practicable Date, Avon Rubber has drawn US$38 million under the Existing RCF.

5. Key individuals to Team Wendy

Jose Rizo-Patron, the Chief Executive Officer of Team Wendy is deemed by Avon Rubber to be key to the operations of Team Wendy.

6. Major interests in shares

As at the Latest Practicable Date, insofar as is known to the Company, the following persons had an interest which represents 3% or more of the voting share capital of the Company, and the amount of such person's interest, is as follows:

	Interests as at the Latest Practicable Date	
Shareholders	**No.**	**% of total issued share capital**
Capital Research and Management Company	2,787,863	8.99
Fidelity Management & Research Company (FMR)	2,770,043	8.93
BlackRock Investment Management	1,586,025	5.11
Kempen Capital Management Nv	1,555,000	5.01
JPMorgan Asset Management (UK) Limited	1,349,823	4.35
Schroder Investment Management Limited	1,292,531	4.17
Standard Life Investments	1,182,047	3.81
Threadneedle Asset Management	1,179,323	3.80

Save as disclosed above, the Directors are not aware of any interest which will represent an interest in Avon Rubber's share capital or voting rights which is notifiable under the Disclosure and Transparency Rules.

7. Material contracts

7.1 *Avon Rubber Group*

The following contracts (not being contracts entered into in the ordinary course of business) have either: (i) been entered into by Avon Rubber or another member of the Avon Rubber Group within the period of two years immediately preceding the date of this document and are or may be material; or (ii) been entered into by Avon Rubber or another member of the Avon Rubber Group which contain any provisions under which any member of the Avon Rubber Group has any obligation or entitlement which is, or may be, material as at the date of this document:

(a) *New RCF*

On 8 September 2020, Avon Rubber entered into the New RCF between: (i) Avon Rubber as company, (ii) Avon Rubber and Avon Rubber & Plastics, Inc. as original borrowers, (iii) Avon Rubber, Avon Rubber & Plastics Inc., Avon Polymer Products Limited, Avon Rubber Overseas Limited, Avon Protection Ceradyne LLC and Avon Protection as original guarantors, (iv) Fifth Third Bank, National Association, Barclays Bank PLC, Comerica Bank and National Westminster Bank plc as mandated lead arrangers (the "**Mandated Lead Arrangers**"), (v) the Mandated Lead Arrangers, The Governor and Company of the Bank of Ireland and Crédit Industriel et Commercial, London Branch as arrangers, (vi) Fifth Third Bank, National Association, Barclays Bank PLC, Comerica Bank, National Westminster Bank plc, The Governor and Company of the Bank of Ireland and Crédit Industriel et Commercial, London Branch as original lenders and (vii) National Westminster Bank plc as agent (the "**Agent**").

The facility made available under the New RCF is a US$200 million multicurrency revolving credit facility, subject to the satisfaction of certain conditions precedent. The New RCF is available for drawing in U.S. dollars, sterling, euro and other currencies (subject to certain conditions). Amounts borrowed under the New RCF may be used for:

- financing, refinancing or otherwise discharging the indebtedness of the Avon Rubber Group (including indebtedness or other obligations incurred in respect of the Existing RCF), and paying any breakage costs, redemption premium, make-whole costs and other fees, costs and expenses payable in connection with such refinancing and/or discharge of the Existing RCF; and/or
- the general corporate and working capital purposes of the Avon Rubber Group (including the funding of acquisitions (including the Acquisition) and investments in joint ventures, in each case as permitted under the New RCF), and the fees, costs, taxes and expenses associated with such acquisitions and investments in joint ventures.

The New RCF contains an accordion feature whereby Avon Rubber may, subject to the Borrowing Limit Resolution being passed, give 25 business days' notice to the Agent that it wishes to increase the total commitments under the New Facility by up to US$50 million in aggregate and subject to the agreement of the lenders (the "**RCF Accordion**").

The rate of interest on each loan under the New RCF is the percentage rate per annum which is equal to the aggregate of LIBOR (or if the loan is denominated in euro, EURIBOR) margin (being 1.60% per annum). After 30 September 2020, the margin is subject to the following ratchet, depending on certain conditions including the level of leverage for the Avon Rubber Group as at the relevant period:

Leverage	**Margin % per annum**
Greater than or equal to 2.50:1	2.35
Less than 2.50:1 but greater than or equal to 2.00:1	2.10
Less than 2.00:1 but greater than or equal to 1.50:1	1.85
Less than 1.50:1 but greater than or equal to 1.00:1	1.60
Less than 1.00:1	1.45

Avon Rubber may select interest periods for each loan of one, two, three or six months or any other period agreed with all the lenders. Each loan must be repaid in full and the accrued interest together with such loan must be paid on the last day of each interest period (and at six monthly periods after the first day of such interest period, if the interest period is longer than six months). The New RCF Facility may be prepaid without premium or penalty but subject to breakage costs (if applicable). Certain fees and expenses are also payable, including an agent's fee, an arrangement fee, a commitment fee and a utilisation fee. Subject to its terms, amounts repaid under the New RCF may be re-borrowed. Subject to certain conditions, Avon Rubber may voluntarily prepay utilisations and/or permanently cancel all or part of the New RCF by giving prior notice to the Agent.

In addition, the New RCF requires mandatory cancellation and, if applicable, prepayment in full or in part, in certain circumstances. Upon the occurrence of certain change of control events, the lenders will not be obliged to fund a loan and each lender under the New RCF will be entitled to have its commitment cancelled and any outstanding loan, interests and amounts accrued, immediately due and payable.

The maturity date of the New RCF is the third anniversary of the New RCF. The New RCF contains two extension options whereby Avon Rubber may give notice to the Agent that it wishes to extend the maturity date of the New RCF by an additional 365 days.

The New RCF contains customary representations, undertakings and events of default with certain carve-outs, materiality thresholds and grace periods (where relevant). The undertakings include, among others, restrictions on the creation of security, the disposal of assets and acquisitions (each with permitted exceptions (for example, the Dairy Disposal is explicitly permitted under the terms of the New RCF)).

The New RCF also contains the following financial covenants relating to interest cover and leverage (tested semi-annually) and an undertaking as to guarantor coverage:

a) Interest Cover
Interest Cover (generally, the ratio of the Group's EBITDA to the aggregate amount of the Group's finance payments (e.g. interest, commission, fees etc.) in respect of borrowings) in respect of any 12 month period ending on 30 September and on 31 March shall not be less than the ratio of 4.00:1.

b) Leverage
Leverage (generally, the ratio of the Group's total net debt to the Group's EBITDA) in respect of any 12 month period ending on 30 September and on 31 March shall not exceed the ratio of 3.00:1.

The guarantor coverage undertaking requires the New RCF Facility to be guaranteed by those members of the Avon Rubber Group who together have an aggregate earnings before interest and tax ("**EBIT**") and aggregate gross assets and aggregate turnover in excess of 80% of EBIT and 80% of the consolidated gross assets and consolidated aggregate turnover of the Group respectively.

The New RCF is governed by English law.

On 8 September 2020, Avon Rubber submitted a utilisation request for US$39.5 million, with a proposed utilisation date of 11 September 2020. The amount drawn down will be used to repay and cancel the Existing RCF and to pay fees incurred under the New RCF.

(b) *milkrite | InterPuls share sale and purchase agreement*
On 2 July 2020, Avon Rubber and DeLaval Holding BV ("**DeLaval**") entered into a share sale and purchase agreement (the "**Dairy Disposal Agreement**"), pursuant to which Avon Rubber agreed to sell all the issued shares in: (i) Milkrite InterPuls (Shanghai) International Trading Co.; (ii) milkrite InterPuls Soluções Para Ordenha Ltda.; (iii) Avon Rubber Italia S.r.l.; (iv) InterPuls S.p.A.; (v) milkrite | InterPuls, Inc.; and (vi) milkrite InterPuls Limited (together, the "**milkrite | InterPuls Target Companies**").

The consideration payable to Avon Rubber at completion is a fixed amount, being £168,693,000, less the amount of the intra-group debt that the milkrite | InterPuls Target Companies owe to Avon Rubber prior to completion (which DeLaval will settle on behalf of the milkrite | InterPuls Companies at completion) and less the premium payable for the warranty and indemnity insurance policy taken out by DeLaval in respect of the transaction.

The Dairy Disposal Agreement contains an extensive suite of both fundamental and business warranties covering, amongst other issues, accounts, assets, material contracts, tax, intellectual property and environmental matters of the milkrite | InterPuls Target Companies. Warranties are given at signing and certain fundamental warranties will be repeated at completion. The majority of Avon Rubber's warranties are covered by the warranty and indemnity insurance policy referred to above. The Dairy Disposal Agreement also contains financial and time limitations on Avon Rubber's liability in the event that DeLaval initiates contractual claims.

The Dairy Disposal Agreement contains a customary suite of pre-completion covenants, under which Avon Rubber procures that none of the milkrite | InterPuls Target Companies will, between signing and completion, perform certain actions which are outside the ordinary course of the business. In addition, Avon Rubber covenants that it shall not, for a period of 24 months from completion (i) compete with the business of the milkrite | InterPuls Target Companies; (ii) solicit customers or suppliers; or (iii) solicit certain key employees of the milkrite | InterPuls Target Companies.

Avon Rubber has also agreed to customary indemnification arrangements in favour of DeLaval for any leakage that occurs between 1 May 2020 and completion. The Dairy Disposal Agreement also contains customary indemnities given by Avon Rubber in relation to employment and tax.

Completion of the sale is, amongst other conditions, subject to merger control clearances in Austria, Cyprus, Serbia, and Saudi Arabia. As at the Latest Practicable Date, merger control clearances have been received in Austria, Cyprus and Serbia. Either party may terminate the Dairy Disposal Agreement if: (i) the conditions to completion are not satisfied/waived; or (ii) a party materially breaches its completion obligations. DeLaval also has a termination right if Avon Rubber is in material breach of certain fundamental warranties repeated at completion.

(c) *Acquisition Agreement*

A description of the principal terms of the Acquisition Agreement is set out in Part III (*Principal Terms of the Acquisition*) of this document.

(d) *Helmets & Armor Agreement*

On 6 August 2019, Avon Rubber and 3M Company ("**3M**") entered into an asset purchase agreement (the "**Helmets & Armor Agreement**"), pursuant to which 3M agreed to sell substantially all of the assets related to its ballistic protection business operating under the name Ceradyne, Inc., including the use of the "Ceradyne" name and transfer of approximately 280 employees. The assets include product lines of ballistic helmets, body armor, flat armor and related helmet-attachment products sold primarily to governments and law enforcement agencies (the "**Helmets & Armor Assets**"). The transaction completed on 2 January 2020.

The initial consideration payable to 3M for the Helmets & Armor Assets was US$87 million after adjusting for working capital at completion. Additionally, Avon Rubber agreed to pay 3M up to an additional US$25 million based on the outcome of pending contract bids. To date, the total consideration paid to 3M for the Helmets & Armor Assets has been approximately US$90 million.

The Helmets & Armor Agreement contains an extensive suite of warranties covering, amongst other issues, accounts, assets, material contracts, tax, intellectual property and environmental matters, labour matters, real property, anti-bribery, customers, suppliers, product liability, sanctions and export control all related to the Helmets & Armor Assets. The 3M's warranties are covered by a warranty insurance policy taken out by Avon Rubber in respect of the transaction. Warranties were given at signing and expired at completion except for the 3M warranties covered by the warranty insurance policy.

The Agreement also contains a customary suite of pre-completion covenants, under which 3M agreed that it would not, between signing and completion, perform certain actions which are outside the ordinary course of the business with respect to the Helmets & Armor Assets or the transferred employees. In addition, 3M covenanted that it shall not (i) for a period of 36 months from completion, knowingly market or sell any Helmets & Armor Assets or any products that directly complete with such products; and (ii) for a period of 24 months from completion solicit any transferred employees.

Completion of the sale was, amongst other conditions, subject to clearance by CFIUS.

7.2 ***Team Wendy***

No contracts have (other than contracts entered into in the ordinary course of business) either: (i) been entered into by Team Wendy within the period of two years immediately preceding the date of this Circular, which are or may be material; or (ii) been entered into by Team Wendy which contain any provisions under which Team Wendy has any obligation or entitlement which is, or may be, material as at the date of this document.

8. Litigation

8.1 ***Avon Rubber***

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Avon Rubber is aware) during the period covering the 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on the financial position or profitability of the Avon Rubber Group.

8.2 ***Team Wendy***

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Avon Rubber is aware) during the period covering the 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on the financial position or profitability of Team Wendy.

9. Working capital

Avon Rubber is of the opinion that, taking into account the cash and facilities available to the Enlarged Group, the Enlarged Group has sufficient working capital available to it for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

10. Consents

10.1 Evercore has given, and has not withdrawn, its consent to the inclusion in this document of the references to its name in the form and context in which they are included.

10.2 William Blair International, Limited has given and has not withdrawn, its consent to the inclusion in this document of the references to its name in the form and context in which they are included.

10.3 PwC is a member firm of the Institute of Chartered Accountants in England and Wales and has given, and not withdrawn, its written consent to the inclusion of its accountant's report on the Historical Financial Information relating to Team Wendy in Part B of Part IV (*Historical Financial Information Relating to Team Wendy*) and its accountant's report on the unaudited pro forma financial information in Part B of Part V (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*), in the form and context in which they are included.

11. Significant change

11.1 ***Avon Rubber***

There has been no significant change in the financial performance or financial position of the Avon Rubber since 31 March 2020, being the date of the last financial period for which financial information on Avon Rubber has been published.

11.2 ***Team Wendy***

There has been no significant change in the financial performance or financial position of Team Wendy since 31 December 2019, being the date to which the financial information on Team Wendy, presented in Part IV (*Historical Financial Information Relating to Team Wendy*), has been published.

12. Related party transactions

Save as disclosed in the information incorporated by reference into this document referred to below, the Company entered into no transactions with related parties during the years ended 30 September 2019, 2018 and 2017:

- note 4.6 of the notes to the audited consolidated financial statements for Avon Rubber for the six months ended 31 March 2020 which can be found at page on page 34 of Avon Rubber's 2020 Interim Report.
- note 7.5 of the notes to the audited consolidated financial statements for Avon Rubber for the year ended 30 September 2019 which can be found at page on page 142 of Avon Rubber's 2019 Annual Report and Accounts.
- note 7.5 of the notes to the audited consolidated financial statements for Avon Rubber for the year ended 30 September 2018 which can be found at page on page 128 of Avon Rubber's 2018 Annual Report and Accounts.
- note 25 of the notes to the audited consolidated financial statements for Avon Rubber for the year ended 30 September 2017 which can be found at page on page 120 of Avon Rubber's 2017 Annual Report and Accounts.

For the period from and including 1 April to the Latest Practicable Date, there were no related party transactions entered into by the Company.

13. Information incorporated by reference

The table below sets out the information from documents which have previously been published and filed with the FCA and which shall be deemed incorporated by reference into this document, so as to provide the information required under the Listing Rules. These documents are also available at www.avon-rubber.com/investors/acquisition-of-team-wendy/.

Reference document	Information incorporated by reference into this document	Page number in reference document
Avon Rubber Group's 2017 Annual Report and Accounts	Notes to the Consolidated Financial Statements	98-131
Avon Rubber Group's 2018 Annual Report and Accounts	Notes to the Consolidated Financial Statements	102-138
Avon Rubber Group's 2019 Annual Report and Accounts	Notes to the Consolidated Financial Statements	114-153
Avon Rubber Group's 2020 Interim Report	Consolidated Statement of Comprehensive Income	15
	Condensed Consolidated Balance Sheet	17
	Consolidated Cash Flow Statement	18
	Consolidated Statement of Changes in Equity	19
	Notes to the Interim Consolidated Financial Statements	20-37

To the extent that any document or information incorporated by reference or attached to this document itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this document, except where such information or documents are stated within this document as specifically being incorporated by reference or where this document is specifically defined as including such information. For the avoidance of doubt, the contents of any websites referred to in this document (including the Company's website) are not incorporated into and do not form part of this document.

Except as set out above, no other parts of these documents are incorporated by reference into this document, and those parts which are not specifically incorporated by reference are either not relevant for the purposes of this document or the relevant information is included elsewhere in this document.

14. Documents available for inspection

Copies of the following documents may be inspected at www.avon-rubber.com/investors/acquisition-of-team-wendy/ at any time up to and including the date of the General Meeting, or at the registered office of Avon Rubber at Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB, England and at the offices of White & Case LLP, being 5 Old Broad Street, London EC2N 1DW during normal business hours from Monday to Friday (except on bank or other public holidays) up to and including the date of the General Meeting:

- the Articles;
- the proposed amended articles of association of Avon Rubber;
- PwC's report on the historical financial information relating to Team Wendy set out in Part B of Part IV (*Historical Financial Information Relating to Team Wendy*);
- PwC's report on the unaudited pro forma financial information on the Enlarged Group set out in Part B of Part V (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*);
- Avon Rubber Group's 2020 Interim Report;
- Avon Rubber Group's 2019 Annual Report and Accounts;
- Avon Rubber Group's 2018 Annual Report and Accounts;
- Avon Rubber Group's 2017 Annual Report and Accounts;
- the letters of consent referred to in paragraph 10 of this VI (*Additional Information*);
- the Acquisition Agreement; and
- this document.

11 September 2020

PART VII

DEFINITIONS

The following terms have the following meanings in this document:

“**2017 Annual Report and Accounts**”	means the annual report and accounts prepared by Avon Rubber for the financial year ended 30 September 2017;
“**2018 Annual Report and Accounts**”	means the annual report and accounts prepared by Avon Rubber for the financial year ended 30 September 2018;
“**2019 Annual Report and Accounts**”	means the annual report and accounts prepared by Avon Rubber for the financial year ended 30 September 2019;
“**2020 Interim Report**”	means the interim results of Avon Rubber for the six months ended 31 March 2020;
“**Acquisition**”	means the proposed acquisition by Avon Protection of all membership interests of Team Wendy, pursuant to the Acquisition Agreement, and the other transactions contemplated thereby;
“**Acquisition Agreement**”	means the agreement dated 8 September 2020, among, Avon Rubber, Avon Protection, the Declaration of Trust of Dan T. Moore, III, dated 20 December 1996, as amended, Marjorie L. Moore, The Marjorie L. Moore Irrevocable Trust for the benefit of Grandchildren, dated 21 May 2020, Halley T. Moore, Heather B. Moore, Fidelity Investments Charitable Gift Fund, and Jose Rizo-Patron as Sellers, and Dan T. Moore, III as Sellers’ representative and in his individual capacity, in relation to the Acquisition;
“**Acquisition Announcement**”	means the RNS announcement made by the Company on 9 September 2020 in relation to the Acquisition;
“**Acquisition Resolution**”	means the ordinary resolution to approve the Acquisition as set out in the Notice of General Meeting;
“**Articles**”	means the memorandum and articles of association of Avon Rubber;
“**Avon Protection**”	means Avon Protection Systems Inc., a wholly-owned U.S.-based subsidiary of Avon Rubber;
“**Avon Rubber**” or “**Company**”	means Avon Rubber p.l.c., a public limited company incorporated and registered in England and Wales with registered number 00032965;
“**Avon Rubber Group**” or “**Group**”	means Avon Rubber and its subsidiaries from time to time;
“**Avon Rubber LTIP**”	means the existing Avon Rubber long-term incentive plan;
“**Avon Rubber PSP**”	means the existing Avon Rubber performance share plan;
“**Avon Rubber Shareholder Approval**”	means the approval of the Acquisition Resolution by Shareholders representing a simple majority of the votes cast (by proxy) at the General Meeting;
“**Board**”	means the board of directors of Avon Rubber;

"**Borrowing Limit Resolution**"	means the special resolution to approve the amendment to the Articles as set out in the Notice of General Meeting;
"**Business Day**"	means any day (excluding Saturdays, Sundays and public holidays in England and Wales) on which banks are generally open for business in London;
"**CFIUS**"	means the Committee on Foreign Investment in the United States or any member agency thereof acting in such capacity;
"**CFIUS Condition**"	has the meaning given to it in paragraph 5(d) of Part III (*Principal Terms of the Acquisition*) of this document;
"**CFIUS Turndown**"	means (a) CFIUS has informed Avon Protection and the Sellers in writing of its unresolved national security concerns with respect to the Acquisition and that it intends to refer the matter to the President of the United States unless the Acquisition is abandoned, or (b) CFIUS shall have referred, or shall have informed the parties in writing that it intends to refer, the matter to the President of the United States, in each case without offering the parties the opportunity to abandon the Acquisition in lieu of such referral;
"**Circular**"	means this document;
"**Companies Acts**"	has the meaning given in section 2 of the Companies Act 2006;
"**Completion**"	means completion of the Acquisition;
"**Completion Date**"	means the date of completion of the Acquisition;
"**Conditions**"	means the conditions to the implementation of the Acquisition as set out in the Acquisition Agreement;
"**CREST**"	means the system of paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with Uncertificated Securities Regulations 2001 (SI 2001/3755);
"**CREST Manual**"	means the manual, as amended from time to time, produced by CRESTCo describing the CREST system and supplied by CRESTCo Limited to users and participants thereof;
"**CREST Proxy Instruction**"	means the instruction whereby CREST members send a CREST message appointing a proxy for the meeting and instructing the proxy on how to vote;
"**DDTC**"	means the U.S. State Departments' Directorate of Defense Trade Controls;
"**Directors**"	means the directors of Avon Rubber from time to time;
"**Disclosure and Transparency Rules**" or "**DTRs**"	means the Disclosure Guidance and Transparency Rules made by the FCA pursuant to FSMA;
"**DoD**"	means the U.S. Department of Defense;
"**DoJ**"	means the U.S. Department of Justice;
"**DPA**"	means Section 721 of the Defense Production Act of 1950, as amended;
"**EBITDA**"	means earnings before charging interest, tax, depreciation and amortisation;

“**Enlarged Group**”	means the Avon Rubber Group as enlarged by the Acquisition with effect from Completion;
“**EU**”	means the European Union;
“**Evercore**”	means Evercore Partners International LLP;
“**Executive Directors**”	means Paul McDonald and Nick Keveth;
“**FCA**”	means the Financial Conduct Authority of the United Kingdom;
“**Form of Proxy**”	means the personalised form of proxy for use by Shareholders in connection with the General Meeting;
“**FSMA**”	means the Financial Services and Markets Act 2000, as amended;
“**FTC**”	means the U.S. Federal Trade Commission;
“**FY19**”	means the financial year ended 31 December 2019;
“**FY18**”	means the financial year ended 31 December 2018;
“**FY17**”	means the financial year ended 31 December 2017;
“**General Meeting**”	means the general meeting of Avon Rubber proposed to be held on at 9:00 a.m. on 28 September 2020 to approve the Resolutions, the notice of which is contained in this document;
“**HSR Act**”	means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;
“**IFRS**”	means the International Financial Reporting Standards;
“**IFRS EU**”	means IFRS as adopted by the EU;
“**Latest Practicable Date**”	means 10 September 2020, being the latest practicable date for the calculation and inclusion of information prior to the publication of this Circular;
“**Listing Rules**” or “**LRs**”	means the Listing Rules made by the FCA pursuant to FSMA governing, *inter alia*, admission of securities to the Official List of the FCA;
“**London Stock Exchange**”	means the London Stock Exchange plc or any recognised investment exchange for the purposes of the FMSA that may take over the functions of the London Stock Exchange plc;
“**Long Stop Date**”	means 31 December 2020;
“**Market Abuse Regulation**” or “**MAR**”	means Regulation (EU) No 596/2014;
“**Material Adverse Effect**”	means any event, circumstance, development, state of facts, occurrence, change or effect that, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect on (i) the ability of Sellers to perform their obligations under the Acquisition Agreement or to consummate the Acquisition or (ii) the business, assets, liabilities, condition (financial or otherwise) or results of operations of Team Wendy; provided, that, in the case of clause (ii) only, none of the following shall in and of itself constitute, and no event, circumstance, development, state of facts, occurrence, change or effect resulting from any of the following

shall constitute, or be deemed to contribute to, a Material Adverse Effect: (a) changes in the United States or world financial markets as a whole, (b) changes in general economic conditions that affect the industry in which Team Wendy operates, (c) armed hostilities or war, whether or not pursuant to a formal declaration of a national emergency or war, (d) any changes in laws or orders after the date hereof, (e) changes in U.S. GAAP after the date hereof, (f) pandemics, (including COVID-19), earthquakes, hurricanes, tornados or other natural disasters or (g) any failure in and of itself (as distinguished from any change or event giving rise or contributing to such failure) by Team Wendy to meet any internal projections or forecasts; other than, with respect to clauses (a) through (f), events, circumstances, developments, states of facts, occurrences, changes or effects that disproportionately and adversely impact Team Wendy relative to other companies in the industry in which Team Wendy operates;

"**New RCF**"	means the revolving credit facility agreement of US$200 million entered into by, among others Avon Rubber on 8 September 2020;
"**Notice of General Meeting**"	means the notice of General Meeting contained in this document;
"**Ordinary Shares**"	means the ordinary shares with a nominal value of one pound each in the capital of the Company;
"**PwC**"	means PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH, United Kingdom;
"**Registrars**"	means Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
"**Resolutions**"	means the Acquisition Resolution and Borrowing Limit Resolution set out in the Notice of General Meeting;
"**RWI Policy**"	means the representation and warranty insurance policy in respect of the representations and warranties contained in the Acquisition Agreement;
"**Shareholder**"	means any holder of Ordinary Shares registered on the register of members of the Company;
"**Sponsor**"	means Evercore;
"**subsidiary**" and "**subsidiary undertaking**"	have the meanings given to them in sections 1159 and 1162 (respectively) of the Companies Act 2006;
"**Team Wendy**"	means Team Wendy, LLC, a limited liability company organised under the laws of the U.S.-State of Delaware;
"**Team Wendy Equity Interests**"	means the membership interests of Team Wendy;
"**Unaudited Pro Forma Financial Information**"	means the unaudited pro forma net assets statement of the Enlarged Group set out in Part A of Part V (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*);
"**United Kingdom**" or "**U.K.**"	means the United Kingdom of Great Britain and Northern Ireland;
"**United States**" or "**U.S.**"	means the United States of America;

"**U.S. GAAP**"	means Generally Accepted Accounting Principles of the United States; and
"**WACC**"	means weighted average cost of capital.

PART VIII

NOTICE OF GENERAL MEETING

Avon Rubber p.l.c.

(incorporated and registered in England and Wales with registered number 00032965)

NOTICE IS HEREBY GIVEN that a general meeting of Avon Rubber p.l.c. (the "**Company**") will be held at 9:00 a.m. on 28 September 2020 electronically in accordance with the Corporate Insolvency and Governance Act 2020 (the "**General Meeting**") for the purposes of considering and, if thought fit, passing resolution 1 as an ordinary resolution (which means that for the resolution to be passed, more than half of the votes cast must be in favour of the resolution) and resolution 2 as a special resolution (which means that for the resolution to be passed, three-quarters of the votes cast must be in favour of the resolution).

Ordinary Resolution

1. THAT, the proposed acquisition, by a subsidiary of the Company, of the entire issued and to be issued share capital of Team Wendy, LLC (the "**Acquisition**") pursuant to the terms and subject to the conditions contained in the Acquisition Agreement (as defined in, and particulars of which are summarised in the circular of the Company, dated 11 September 2020 (the "**Circular**"), of which the notice convening this General Meeting (the "**Notice**") forms part), together with all other agreements and ancillary arrangements contemplated by the Acquisition Agreement, be and are hereby approved and that the directors of the Company (or any duly authorised committee thereof) be and are hereby authorised to make any non-material amendments, variations, waivers or extensions to the terms of the Acquisition or the Acquisition Agreement which they in their absolute discretion consider necessary, appropriate or desirable and to take all such steps and to do all such things which they consider necessary, appropriate or desirable to implement, or in connection with, the Acquisition, including, without limitation, the waiver of any conditions to the Acquisition Agreement.

Special Resolution

2. THAT, the Articles of Association of the Company be amended by deleting the words 'two times' in Article 101.2 (borrowing powers), and replacing them with the words 'three times'.

11 September 2020

By the order of the Board

Miles Ingrey-Counter
Company Secretary

Registered office:
Hampton Park West
Semington Road
Melksham
Wiltshire
SN12 6NB
England

Notes:

1. Attending, voting or appointing a proxy

The General Meeting will be convened electronically in accordance with the Corporate Insolvency and Governance Act 2020 (the "**2020 Act**").

In response to the COVID-19 pandemic, the U.K. Government has introduced a number of measures in England aimed at controlling the spread of the virus (the "**Measures**"). On 26 June 2020, the U.K. Government enacted the 2020 Act, which introduces flexible arrangements to allow U.K. companies to hold general meetings. The Board has been closely monitoring the ongoing impact of COVID-19 in the United Kingdom, and has carefully considered the Measures, the 2020 Act and public health guidance. The Board has also taken into account the latest guidance relating to the organisation of general meetings published by ICSA/CLLS on 9 July 2020 and BEIS/FRC on 8 June 2020. Protecting the safety and wellbeing of our shareholders, our employees and the public is of paramount importance to the Board. The Board is also cognisant of the evolving situation and potential for future, localised lockdowns. The Board has therefore decided to convene the General Meeting electronically in accordance with the provisions of the 2020 Act.

Whilst the Measures remain in force, you will not be permitted to attend the meeting in person and any proxy appointed other than the Chair will also be prohibited from attending the meeting.

Shareholders should vote by way of proxy in advance of the General Meeting. It is important that you complete, sign and return a Form of Proxy in accordance with the instructions printed on it or vote electronically as set out below. To ensure your vote is counted, you should appoint the 'Chair of the meeting' as your proxy.

The Company will be providing a listen-only webcast facility to enable shareholders to follow the proceedings of the General Meeting remotely. All Shareholders are encouraged to use this facility and follow the proceedings of the General Meeting in real time if they wish to do so. Despite the current exceptional circumstances, the Board is keen to maintain engagement with Shareholders. Shareholders can put a question to the Board relating to the business to be conducted at the General Meeting by submitting a question in advance through the webcast facility. Any questions must be received by 9:00 a.m. on 24 September 2020. The Board will respond to these questions during the General Meeting. The Company reserves the right to consolidate questions of a similar nature. The Company is not required to answer questions if (i) doing so would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information; (ii) the answer has already been given on the Company's website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered. Shareholders will receive details on the webcast facility separately. Shareholders with questions about the webcast facility should email enquiries@avon-rubber.com. Shareholders using the webcast facility will not be able to vote or ask questions using this service during the General Meeting.

2. Appointment of proxies

Shareholders may obtain a hard copy form of proxy directly from our registrar, Link Asset Services, on 0371 664 0391 if calling from the United Kingdom, or +44(0)371 664 0391 if calling from outside the United Kingdom. Calls are charged at the standard geographical rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 and 17:30, Monday to Friday excluding public holidays in England and Wales. To ensure your vote is counted, you should appoint the 'Chair of the meeting' as your proxy.

In order to be valid, a proxy appointment must be returned (together with any authority under which it is executed or a copy of the authority certified by an attorney, a bank, a stockbroker or a solicitor) by one of the following methods:

- online by logging into your share portal account at www.signalshares.com. If you have not previously registered you should go through the registration process. Once you have registered, you will be able to vote immediately;
- by delivering a Form of Proxy to the Company's U.K. registrar, Link Asset Services at the address shown on the Form of Proxy; or
- in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in note 3 below.

Other than in the case of CREST members, the appointment of a proxy must be received by Link Asset Services by 9:00 a.m. (London time) on 24 September 2020.

A copy of this Notice of General Meeting (this "**Notice**") has been sent for information only to persons who have been nominated by a shareholder to enjoy information rights under section 146 of the Companies Act 2006 (a "**Nominated Person**"). The right to appoint a proxy cannot be exercised by a Nominated Person; it can only be exercised by a shareholder. However, a Nominated Person may have a right, under an agreement with the shareholder by whom she or he was nominated, to be appointed as a proxy for the General Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, she or he may have a right under such an agreement to give instructions to the shareholder as to the exercise of voting rights.

3. Appointment of proxies through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual on the Euroclear website www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear U.K. & Ireland Limited's ("**EUI**") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number RA10) by 9:00 a.m. on 24 September 2020. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

4. Changing your proxy instructions

To change your proxy instructions you may return a new proxy appointment using the methods set out above. Where you have appointed a proxy using the hard copy Form of Proxy and would like to change the instructions using another hard copy Form of Proxy, please contact Link Asset Services. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded.

Where two or more valid separate proxy appointments are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others. If the Company is unable to determine which is last sent, the one which is last received shall be so treated. If the Company is unable to determine either which is last sent or which is last received, none of them shall be treated as valid in respect of the relevant share(s).

5. Corporate representatives

A shareholder of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the General Meeting. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder of the Company, provided that they do not do so in relation to the same shares.

6. Record date for shareholders on the U.K. share register

Only persons entered on the register of shareholders of the Company at close of business (London time) on 24 September 2020 (or, if the General Meeting is adjourned, at close of business (London time) on the date which is two days prior to the adjourned meeting excluding non-business days) shall be entitled to vote at the General Meeting or adjourned meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to vote (and the number of votes they may cast) at the General Meeting or adjourned meeting.

7. Voting at the General Meeting

Voting on all resolutions will be conducted by way of a poll rather than a show of hands. This is a more transparent method of voting as shareholders' votes are counted according to the number of shares held. Given that the General Meeting will be convened electronically and shareholders will not be able to vote in person or via the listen-only conference call facility, shareholders should vote by way of proxy in advance of the General Meeting and should appoint the 'Chair of the Meeting' as their proxy. As soon as practicable following the General Meeting, the results of the voting at the General Meeting and the numbers of proxy votes cast for and against and the number of votes withheld in respect of each of the resolutions will be announced via a Regulatory Information Service and also placed on the Company's website at https://www.avon-rubber.com/investors/. The 'vote withheld' is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

8. Questions at the General Meeting

The Company will be providing a listen-only webcast facility to enable shareholders to follow the proceedings of the General Meeting remotely. All Shareholders are encouraged to use this facility and follow the proceedings of the General Meeting in real time if they wish to do so. Despite the current exceptional circumstances, the Board is keen to maintain engagement with Shareholders. Shareholders can put a question to the Board relating to the business to be conducted at the General Meeting by submitting a question in advance through the webcast facility. Any questions must be received by 9:00 a.m. on 24 September 2020. The Board will respond to these questions during the General Meeting. The Company reserves the right to consolidate questions of a similar nature. The Company is not required to answer questions if (i) doing so would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information; (ii) the answer has already been given on the Company's website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered. Shareholders will receive details on the webcast facility separately. Shareholders with questions about the webcast facility should email enquiries@avon-rubber.com. Shareholders using the webcast facility will not be able to vote or ask questions using this service during the General Meeting.

9. Electronic communication

Please note that the Company takes all reasonable precautions to ensure no viruses are present in any electronic communication it sends out but the Company cannot accept responsibility for loss or damage arising from the opening or use of any email or attachments from the Company and recommends that you subject all messages to virus checking procedures prior to use. Any electronic communication received by the Company, including the lodgement of an electronic proxy form, that is found to contain any virus will not be accepted. You may not use any electronic address provided in this Notice to communicate with the Company for any purposes other than those expressly stated.

10. Issued share capital

As at 10 September 2020 (being the latest practicable date prior to publication of this Notice), the Company's issued share capital consists of 31,023,292 ordinary shares. The Company does not hold any shares in treasury. Therefore the total voting rights in the Company are 31,023,292. The contents of this Notice, details of the total number of shares in respect of which shareholders are entitled to exercise voting rights at the General Meeting, details of the totals of the voting rights that shareholders are entitled to exercise at the General Meeting and, if applicable, any shareholders' statements, shareholders' resolutions or shareholders' matters of business received by the Company after the date of this Notice will be available on www.avon-rubber.com/investors/acquisition-of-team-wendy/.