2015 Preliminary Results

Avon Rubber p.l.c.

CONTENTS

News Release

17 November 2015

AVON RUBBER p.l.c.
(“Avon”, the “Group” or the “Company”)

Audited results for the year ended 30 September 2015	**30 Sept 2015 £Millions**	30 Sept 2014 £Millions
REVENUE	**134.3**	124.8
ADJUSTED EBITDA (*)	**27.3**	22.9
ADJUSTED OPERATING PROFIT (*)	**20.2**	17.0
ADJUSTED PROFIT BEFORE TAX (*)	**19.8**	16.6
NET (DEBT)/CASH	**(13.2)**	2.9
EARNINGS PER SHARE:		
Adjusted basic (*)	**56.1p**	43.7p
Basic	**45.4p**	36.2p
Adjusted diluted (*)	**54.6p**	42.3p
Diluted	**44.2p**	35.0p
DIVIDEND PER SHARE	**7.29p**	5.61p

FINANCIAL HIGHLIGHTS:

- Revenue growth of 8% to £134.3m
- Operating profit growth of 19% and profit before tax increased 20%
- Return on sales (EBITDA divided by revenue) improved 2% from 18% to 20%
- Diluted earnings per share increased 29%
- 119% conversion of operating profit to operating cash
- Dividend of 7.29p per share increased 30%

OPERATIONAL HIGHLIGHTS:

- Acquisition of InterPuls and Hudstar
- Strong DOD sales, excellent year at AEF and continued commercial progress
- Market share growth of Impulse Air to 25% in the US
- Cluster Exchange servicing 430,000 cows on 1,262 farms across US and Europe

(*) Note:

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

All profit and earnings per share figures in this news release relate to adjusted business performance (as defined above) unless otherwise stated.

A reconciliation of adjusted measures to statutory measures is provided below:

	Statutory	Adjustments	Adjusted
Group EBITDA (£m)	27.0	0.3	27.3
Group operating profit (£m)	18.9	1.3	20.2
Other finance expense (£m)	0.9	(0.7)	0.2
Group profit before taxation (£m)	17.8	2.0	19.8
Taxation (£m)	2.7	0.2	2.9
Group profit for the year (£m)	13.7	3.2	16.9
Basic earnings per share (pence)	45.4	10.7	56.1
Diluted earnings per share (pence)	44.2	10.4	54.6
Protection & Defence EBITDA (£m)	21.4	0.2	21.6
Protection & Defence operating profit (£m)	15.3	0.6	15.9
Dairy EBITDA (£m)	7.5	0.2	7.7
Dairy operating profit (£m)	5.6	0.8	6.4

The adjustments comprise:

- amortisation of acquired intangibles of £1.0m
- defined benefit pension scheme credit of £0.3m, which relates to a scheme closed to future accrual and therefore do not relate to current operations
- exceptional items of £0.6m relating to executive search fees and acquisition costs
- tax effect of adjustments of £0.2m
- loss on discontinued operations of £1.5m relates to dilapidations costs of former leased premises of a business which was disposed of in 2006

Further details are provided in note 3.

Commenting on the results Andrew Lewis, Interim Group Chief Executive, said:

"2015 has been an excellent year reflecting the strategic decisions made over the last three years to invest in innovative new products and technologies while expanding our international markets. Together with the integration of the technology, customers and people from our recent acquisitions, this provides us with the opportunity to continue to grow our business, this year and beyond."

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Avon Rubber p.l.c.

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

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

Our world-leading Dairy supplies business and its Milkrite and InterPuls brands have a global market presence. With a long history of manufacturing liners and tubing for the dairy industry, we have become the leading innovator and designer for products and services right at the heart of milking. The acquisition of InterPuls in 2015, a milking components specialist in electromechanical components such as pulsators, milk meters, automatic cluster removers, milking clusters, washing systems, vacuum pumps, bucket milkers and pipeline systems, makes us the complete milking point solution provider.

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

For further information please visit the Group's website www.avon-rubber.com

INTRODUCTION

In 2015, Avon's business strategy has delivered strong growth for the third year in succession with operating profit increasing by 19% on the previous year and diluted earnings per share increasing by 29%.

We have further strengthened our business, both organically and through two strategic acquisitions completed towards the end of the year. We continue to maintain our focus on creating a robust and sustainable business and, by investing in and integrating technology in both divisions, we are creating exciting future international growth opportunities.

Continuing sound operational management has both improved our margins and delivered strong operating cash flows, enabling us to fund the recent acquisitions whilst retaining a robust balance sheet.

ACQUISITIONS

We made a significant strategic acquisition in InterPuls, which was completed in August 2015 for a total consideration of €29.75m, including the assumption of InterPuls's net debt of €4.0m. This acquisition, combined with our existing activities, makes our Dairy business a leading international provider of milking point technology, providing complete teat to pipeline solutions for the dairy sector.

InterPuls meets our criteria for adding high technology products that can be sold under the Milkrite-InterPuls brand. This provides the farmer with a range of high margin technical solutions including pulsators, milk meters, automatic cluster removers and vacuum pumps, enabling customers throughout the world to configure state of the art milking systems.

In addition to traditional milking components, InterPuls is expanding into high technology sensors and devices to monitor the life cycle of a cow, analysing milk production, reproduction and health data to provide critical management information to increase the operational efficiency of the farm.

The combination of the largely non-overlapping sales forces of InterPuls with Milkrite should drive higher sales growth than either company could have achieved alone by extending international reach and cross fertilising the product ranges. In combination, the larger business created will increase Avon's market profile and the customer awareness of Milkrite-InterPuls's technical lead in the higher margin market sectors which we have targeted for expansion.

In June 2015 the Group also completed the acquisition of Hudstar Systems Inc. for $5.1m in cash. Hudstar designs and manufactures electronics for breathing apparatus for firefighters and this acquisition both secures the supply chain for some key components of our Deltair products and provides electronics expertise with applications across the rest of our product range.

After the year end the Group announced the acquisition of Argus, the thermal imaging camera business of e2v plc. This further strengthens our product range in the fire and first responder markets.

GROUP RESULTS

Group revenue increased 8% to £134.3m (2014: £124.8m) with Protection & Defence higher by 7% at £98.8m (2014: £92.8m) and Dairy up 11% to £35.5m (2014: £32.0m). Operating profit before depreciation and amortisation (EBITDA) rose 19% to £27.3m (2014: £22.9m) and operating profit rose 19% to £20.2m (2014: £17.0m).

The progressive strengthening of the US dollar during the year gave the Group a foreign exchange translation tailwind. The US $/£ average rate was $1.54 (2014: $1.65) and this 11 cent tailwind was equivalent to £7.2m at a revenue level and £1.0m at an operating profit level.

SEGMENTAL PERFORMANCE

PROTECTION & DEFENCE

Protection & Defence represented 74% (2014: 74%) of total Group revenues. The business saw revenues increase by 7% from £92.8m to £98.8m. The growth was due to strong performance in all areas of the business.

Operating profit grew strongly to £15.9m (2014: £13.6m) up 17.0% and EBITDA was £21.6m (2014: £18.5m), representing a return on sales (defined as EBITDA divided by revenue) of 21.9% (2014: 20.0%). Our DOD, Fire and AEF businesses have all grown, while our non-DOD mask volumes have reduced slightly, as expected given the strong 2014 comparative in this area. Our margins have improved due to efficiencies and increased prices under our long-term DOD contract.

Under our DOD long-term M50 mask contract we supplied 240,000 mask systems during the financial year, bringing the total to over 1.4m systems so far under this contract. Having received orders for 172,000 mask systems during the year, this left us with an order book of 50,000 systems as we entered our 2016 financial year. Further follow-on DOD M50 orders are expected in the first half of our next financial year as 2016 DOD budgets are released.

The filter requirement has less short-term visibility, but we expect this consumable item to be a good source of repeat revenue in the long term as more masks enter service. As expected, the DOD qualified a second source to provide filters during 2015 and in the second half of the year we received our first order under this new arrangement for 124,000 filter pairs.

During the year the Joint Service Aircrew Mask (JSAM) programme design, development and testing work progressed well. This will provide respiratory protection to a wide range of operators on the DOD's fleet of fixed wing aircraft. As previously announced, the DOD has extended its testing phase of this development contract which is now due to conclude at the end of our 2016 financial year and should lead to a production contract which could be worth in excess of $70m.

Sales to US law enforcement and non-US military and law enforcement were £27.7m (2014: £31.0m) as a result of a good performance from the underlying portfolio and a 10,000 C50 delivery to a customer in the Middle East. This was a small decrease on the strong comparator period as 2014 included two large such deliveries.

Our industrial portfolio launched in 2014 continued to make good progress with particular successes in the oil and gas market and with further product enhancements in the pipeline, there is potential to continue to develop this area of the business.

We saw growth in sales to the North American Fire market this year following the release of our new NFPA-approved Deltair SCBA. Our product, which is designed to meet the new US regulations and to deliver enhanced operational performance, has been well received by the market and remains one of only four units to receive approval to date.

AEF grew strongly in 2015, winning hovercraft skirt and fuel and water storage tank orders as we have successfully rolled out our non-DOD sales strategy to this area of the business.

DOD spares sales have reduced slightly this year, as expected given the volatility of DOD ordering patterns in this area. Long term, as the installed base of masks grows so will the DOD's requirement to fill its supply chain.

DAIRY

Dairy revenues increased by 11% to £35.5m (2014: £32.0m) (with a contribution of £1.0m from InterPuls which was acquired in August 2015). The organic growth was achieved despite markets in Europe softening in the second half of our financial year, reflecting the success of our Cluster Exchange service and growth of the higher margin, technology leading Milkrite products. Operating profit increased by 12% to £6.4m (2014: £5.7m) which arose solely from our existing business as, given the timing of the InterPuls acquisition and the Italian summer holiday season, the acquired business did not contribute to divisional operating profit in 2015. EBITDA was £7.7m (2014: £6.6m), giving a return on sales (as defined above) of 21.7%, up from 20.7% in 2014.

At the start of the year, market conditions improved as global milk prices were at acceptable levels and farmer input costs were favourable meaning there was less pressure on farmer revenues and margins and therefore normal levels of demand for our consumable products. Towards the end of the year, markets softened as these pressures increased due to lower milk prices in some regions. Russian import controls and the removal of quotas have also affected European markets.

Our Cluster Exchange service was launched in the US and Europe at the end of 2013 and growth rates continue to exceed our initial expectations. By the end of the year it was servicing 430,000 cows on 1,262 farms in the US and Europe. This added-value service enhances the value of each direct liner sale we make and has delivered a more robust and sustainable business model. Under this programme farmers outsource their liner change process to us, which we deliver through service centres established in our existing facilities, with the support of our dealers and third-party logistics specialists.

Milkrite sales increased as a proportion of total revenue providing a richer sales mix. Only five years ago Milkrite customers represented 53% of our revenue; at the end of this year this had risen to 72%, reflecting the success of the higher margin Milkrite brand and some OEM re-sourcing. With the integration of InterPuls we expect the proportion of own brand revenue to increase further.

In Europe, Milkrite's market share has increased as a result of the investment we made in our increased sales force, enhanced technical support and a larger distributor network. Our Impulse Air mouthpiece vented liner, first launched in Europe late in 2013, continues to gain traction, with its market share increasing to 3.5% (2014: 2.6%).

In the US, the Milkrite Impulse Air mouthpiece vented liner continued to perform well, with its market share increasing to 25% (2014: 21%).

This success has given us the confidence to invest further in product development resource and to commence work on the next generation of products, the first of which, our Milkrite claw, was launched in the final quarter of the year. The InterPuls acquisition further adds to our product portfolio and product development capability, the benefits of which we expect to see in future years.

In China, year on year revenue grew strongly as the industrialisation of the milking process continues apace, creating excellent long-term potential for our consumable products.

In South America, where we opened our sales and distribution facility in the first half of the year, we have started to make good progress in establishing a strong dealer network and expect to see growth in this region.

In many other emerging markets, including India, the number of dairy cows being milked using automated milking processes is growing strongly. This is adding to the market potential for the consumable products we sell. We plan to harness this potential using the distribution network which InterPuls has already established in these regions.

FINANCE EXPENSES

Net interest costs reduced to £0.2m (2014: £0.3m). Other (non-cash) finance expenses associated with the unwinding of discounts on provisions were £0.2m (2014: £0.2m).

TAXATION

The statutory tax charge totalled £2.7m (2014: £3.1m) on a statutory profit before tax of £17.8m (2014: £13.9m). In 2015 the Group paid tax in the US, but not in the UK due to brought forward tax losses. The effective tax rate for the period is 15% (2014: 22%), reflecting a more favourable geographic mix of profits and the recognition of a deferred tax asset in the UK in respect of accelerated capital allowances and short-term timing differences, as UK tax losses have now been utilised and the UK trading company is expected to be tax-paying in the future.

The adjusted effective tax rate, where the tax charge and the profit before taxation are adjusted for exceptional items, the amortisation of acquired intangibles and defined benefit pension scheme costs is 15% (2014: 21%). In 2015 the US federal tax rate was 34% and the Group's effective tax rate reflects the predominance of US revenues and earnings and the availability of previously unrecognised tax losses in the UK. Whilst the acquisition of InterPuls has not had a significant impact on the Group tax rate in the current year, with a combined federal and regional Italian tax rate of approximately 31%, the Group effective rate of tax is likely to increase in future years.

Unrecognised deferred tax assets in respect of tax losses in UK non-trading companies amounted to £0.3m (2014: £1.4m).

EARNINGS PER SHARE

Basic earnings per share were 56.1p (2014: 43.7p) and diluted earnings per share were 54.6p (2014: 42.3p).

NET CASH AND CASHFLOW

Net debt at the end of the year was £13.2m (2014: net cash of £2.9m). At the year end, total bank facilities were £26.4m, which are US dollar denominated and committed to 30 November 2018.

In the year we invested £21.2m in the acquisitions noted above and £6.2m (2014: £6.8m) in property, plant and equipment and new product development. In the Protection & Defence business this focused on our new product development programme, Project Fusion. In Dairy we invested in the development of our new claw and the hardware required to support our Cluster Exchange service offering.

Operating activities generated cash of £24.1m (2014: £26.5m), representing 119% of operating profit (2014: 156%). Through sound operational management the Group has driven strong conversion of profits into cash. The timing of shipments to customers can impact all aspects of working capital and at the 2015 year-end inventory was higher from a combination of foreign exchange translation, acquisitions and the launch of our Fusion products. Receivables decreased as in the prior year a large order was shipped immediately prior to year end. Lower advanced receipts from customers, cash outflows in relation to the prior year restructuring provision and timing of payments to suppliers following the acquisition of InterPuls resulted in cash outflows in respect of payables.

UK RETIREMENT BENEFIT OBLIGATIONS

The balance, as measured under IAS 19 (revised), associated with the Group's UK retirement benefit obligation, which has been closed to future accrual, has moved from a £16.0m deficit at 30 September 2014 to a £16.6m deficit at 30 September 2015.

This movement has resulted from an increase in liabilities as the AA corporate bond rate has fallen, partially offset by strong performance from our return-seeking assets and Liability Driven Investment.

A settlement gain of £0.7m (2014: nil) was realised following a trivial commutation exercise.

During 2015, the Group paid total contributions of £0.8m (2014: £0.5m).

The last triennial actuarial valuation took place as at 31 March 2013. That valuation showed the scheme to be 98.0% funded on a continuing basis and under the deficit recovery plan, the payments for the Group financial years ending 30 September are as follows: 2016: £0.7m, 2017: £0.7m and 2018: £0.7m. These amounts include £0.3m p.a. in respect of administration expenses.

RESEARCH AND DEVELOPMENT

Intangible assets totalling £41.3m (2014: £17.2m) form a significant part of the balance sheet as we invest in new product development and acquisitions. This can be seen from our expanding product range in both Protection & Defence and Dairy. The annual charge for amortisation of development costs was £1.9m (2014: £1.5m).

Our total investment in research and development (capitalised and expensed) amounted to £7.1m (2014: £7.0m) of which £3.9m (2014: £4.5m) was customer funded and has been recognised as revenue.

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

We have started to see the benefits of these efforts, which underpin the long-term prosperity of the Group, during our 2015 financial year.

DIVIDEND

Based on the Group's improved profitability, cash generation and the confidence the Board has in the Group's future prospects, the Board is pleased to propose a 30% increase in the final dividend to 4.86p per ordinary share (2014: 3.74p). This, combined with the 2015 interim dividend of 2.43p, results in a full year dividend of 7.29p (2014: 5.61p), up 30%.

OPPORTUNITIES

Last year we highlighted that our strong balance sheet would support complementary acquisitions which could deliver synergistic benefits. We have successfully identified a number of businesses meeting this criterion across both sides of the business and completed the acquisitions of InterPuls and Hudstar during the year. Since the year end we have announced the acquisition of the Argus thermal imaging camera business from e2v plc. Looking forward we see these acquisitions, together with our existing growth strategies, enhancing our global market leading positions which will deliver further opportunities for growth. We will continue to invest in innovative new technologies and products and in building our brand and market reach to bring these opportunities to fruition.

BOARD CHANGES

After serving as a Non-Executive Director since March 2005 Stella Pirie stood down at the AGM in January 2015. Pim Vervaat was appointed on 1 March 2015. Pim is Chief Executive of RPC Group Plc, the UK based manufacturer of rigid plastic packaging and a FTSE 250 listed company.

After fifteen years with the Group, the last seven of which have been as Chief Executive, Peter Slabbert stepped down from his role as Chief Executive and retired from the Company on 30 September 2015.

The Board is immensely grateful to Peter for the contribution he has made during his time with Avon Rubber. Early on he was an instrumental part of the successful transformation of the Group, helping to build the foundations that have led to the recent consistent record of growth in profits. He leaves behind a strong executive team which the Board is confident will continue to grow the Group.

We look forward to welcoming our new Chief Executive, Rob Rennie on 1 December 2015. Rob joins Avon having held a number of senior positions at Invensys plc. His most recent role was President of the Energy Controls group, a division with annual sales in excess of $400m. This group included Eurotherm, the global supplier of industrial and process control, measurement and data management solutions, where Rob started his career and was ultimately appointed Managing Director. Rob was the driving force behind the evolution of Eurotherm and, as a member of the Invensys Executive Committee, was part of the team that successfully sold Invensys to Schneider Electric in 2014.

OUTLOOK

Our strategy of integrating new technologies from product development and acquisitions has provided strong results in 2015 and increased our future opportunities.

In our global Protection & Defence business we have good visibility of DOD revenues for 2016 and a strong underlying portfolio of non-DOD business which we expect to be enhanced by the increasing impact of the recently launched new products and supplemented by impact orders, although the timing of these remains difficult to predict.

While the year end softness in milk prices has continued, the acquisition of InterPuls provides the Dairy business with both new products and access to new markets through the integration of the sales and distribution channels of the two businesses.

We remain confident in our strong and proven management team's ability to maintain the momentum of growth in our business.

D R Evans	Andrew Lewis
David Evans	Andrew Lewis
Chairman	Interim Group Chief Executive
17 November 2015	17 November 2015

Consolidated Statement of Comprehensive Income
for the year ended 30 September 2015

		Year to 30 Sept 2015			Year to 30 Sept 2014		
		Statutory	**Adjustments**	**Adjusted**	Statutory	Adjustments	Adjusted
	Note	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Continuing operations							
Revenue	2	**134,318**	**-**	**134,318**	124,779	-	124,779
Cost of sales		**(88,618)**	**-**	**(88,618)**	(83,264)	-	(83,264)
Gross profit		**45,700**	**-**	**45,700**	41,515	-	41,515
Selling and distribution costs		**(13,007)**	**-**	**(13,007)**	(11,505)	-	(11,505)
General and administrative expenses		**(13,807)**	**1,329**	**(12,478)**	(15,685)	2,678	(13,007)
Operating profit	2	**18,886**	**1,329**	**20,215**	14,325	2,678	17,003
Operating profit is analysed as:							
Before depreciation and amortisation		**26,981**	**286**	**27,267**	20,486	2,417	22,903
Depreciation and amortisation		**(8,095)**	**1,043**	**(7,052)**	(6,161)	261	(5,900)
Operating profit		**18,886**	**1,329**	**20,215**	14,325	2,678	17,003
Finance income		**45**	**-**	**45**	1	-	1
Finance costs		**(192)**	**-**	**(192)**	(275)	-	(275)
Other finance expense		**(901)**	**654**	**(247)**	(187)	12	(175)
Profit before taxation		**17,838**	**1,983**	**19,821**	13,864	2,690	16,554
Taxation	4	**(2,672)**	**(253)**	**(2,925)**	(3,053)	(450)	(3,503)
Profit for the year from continuing operations		**15,166**	**1,730**	**16,896**	10,811	2,240	13,051
Discontinued operations – loss for the year		**(1,500)**	**1,500**	**-**	-	-	-
Profit for the year		**13,666**	**3,230**	**16,896**	10,811	2,240	13,051

Consolidated Statement of Comprehensive Income
for the year ended 30 September 2015 (continued)

	Note	Year to 30 Sept 2015 Statutory £'000	Year to 30 Sept 2015 Adjustments £'000	Year to 30 Sept 2015 Adjusted £'000	Year to 30 Sept 2014 Statutory £'000	Year to 30 Sept 2014 Adjustments £'000	Year to 30 Sept 2014 Adjusted £'000
Other comprehensive income/(expense)							
Actuarial loss recognised on retirement benefit scheme (*)		**(1,040)**	**-**	**(1,040)**	(4,851)	-	(4,851)
Deferred tax relating to retirement benefit scheme (*)		**3,321**	**-**	**3,321**	-	-	-
Net exchange differences offset in reserves (**)		**3,311**	**-**	**3,311**	(306)	-	(306)
Other comprehensive income/(expense) for the year, net of taxation		**5,592**	**-**	**5,592**	(5,157)	-	(5,157)
Total comprehensive income for the year		**19,258**	**3,230**	**22,488**	5,654	2,240	7,894
Earnings per share							
Basic	6	**45.4p**		**56.1p**	36.2p		43.7p
Diluted	6	**44.2p**		**54.6p**	35.0p		42.3p
Earnings per share from continuing operations							
Basic	6	**50.4p**		**56.1p**	36.2p		43.7p
Diluted	6	**49.0p**		**54.6p**	35.0p		42.3p

* Items that are not subsequently reclassified to the income statement.
**Items that may be subsequently reclassified to the income statement.

Consolidated Balance Sheet
as at 30 September 2015

	Note	As at 30 Sept 15 £'000	As at 30 Sept 14 £'000
Assets			
Non-current assets			
Intangible assets		**41,309**	17,240
Property, plant and equipment		**28,212**	19,575
Deferred tax assets		**4,574**	-
		74,095	36,815
Current assets			
Inventories		**17,123**	12,887
Trade and other receivables		**17,023**	19,157
Derivative financial instruments		**3**	2
Cash and cash equivalents	10	**332**	2,925
		34,481	34,971
Liabilities			
Current liabilities			
Borrowings	10	**2,350**	-
Trade and other payables		**17,150**	17,755
Provisions for liabilities and charges	7	**855**	1,846
Current tax liabilities		**6,823**	6,852
		27,178	26,453
Net current assets		**7,303**	8,518
Non-current liabilities			
Borrowings	10	**11,143**	-
Deferred tax liabilities		**9,734**	2,315
Retirement benefit obligations		**16,605**	16,029
Provisions for liabilities and charges	7	**1,712**	1,973
		39,194	20,317
Net assets		**42,204**	25,016
Shareholders' equity			
Ordinary shares	8	**31,023**	31,023
Share premium account		**34,708**	34,708
Capital redemption reserve		**500**	500
Translation reserve		**2,379**	(932)
Accumulated losses		**(26,406)**	(40,283)
Total equity		**42,204**	25,016

Consolidated Cash Flow Statement
for the year ended 30 September 2015

	Note	**Year to 30 Sept 15 £'000**	Year to 30 Sept 14 £'000
Cash flows from operating activities			
Cash generated before the impact of exceptional items		**24,053**	26,500
Cash impact of exceptional items		**(1,192)**	(983)
Cash generated from continuing operations		**22,861**	25,517
Cash used in discontinued operations		**(1,529)**	-
Cash generated from operations	9	**21,332**	25,517
Finance income received		**45**	1
Finance costs paid		**(192)**	(315)
Retirement benefit deficit recovery contributions		**(800)**	(513)
Tax paid		**(3,270)**	(2,903)
Net cash generated from operating activities		**17,115**	21,787
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**21**	19
Purchase of property, plant and equipment		**(3,222)**	(3,753)
Capitalised development costs and purchased software		**(2,961)**	(3,062)
Acquisition of subsidiaries		**(21,249)**	(50)
Net cash used in investing activities		**(27,411)**	(6,846)
Cash flows from financing activities			
Net movements in loans		**10,605**	(10,805)
Dividends paid to shareholders		**(1,859)**	(1,422)
Purchase of own shares		**(1,152)**	-
Net cash generated from/(used in) financing activities		**7,594**	(12,227)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(2,702)**	2,714
Cash, cash equivalents and bank overdrafts at beginning of the year		**2,925**	184
Cash, cash equivalents and bank overdrafts acquired on acquisitions		**12**	-
Effects of exchange rate changes		**97**	27
Cash, cash equivalents and bank overdrafts at end of the year	10	**332**	2,925

Consolidated Statement of Changes in Equity
for the year ended 30 September 2015

	Note	Share capital £'000	Share Premium £'000	Other reserves £'000	Accumulated losses £'000	Total £'000
At 1 October 2013		30,723	34,708	(126)	(44,609)	20,696
Profit for the year		-	-	-	10,811	10,811
Unrealised exchange differences on overseas investments		-	-	(306)	-	(306)
Actuarial loss recognised on retirement benefit scheme		-	-	-	(4,851)	(4,851)
Total comprehensive income/(expense) for the year		-	-	(306)	5,960	5,654
Dividends paid		-	-	-	(1,422)	(1,422)
Issue of shares		300	-	-	-	300
Purchase of shares by the employee benefit trust		-	-	-	(300)	(300)
Movement in respect of employee share scheme		-	-	-	88	88
At 30 September 2014		31,023	34,708	(432)	(40,283)	25,016
Profit for the year		**-**	**-**	**-**	**13,666**	**13,666**
Unrealised exchange differences on overseas investments		**-**	**-**	**3,311**	**-**	**3,311**
Actuarial loss recognised on retirement benefit scheme		**-**	**-**	**-**	**(1,040)**	**(1,040)**
Deferred tax relating to retirement benefit scheme		**-**	**-**	**-**	**3,321**	**3,321**
Total comprehensive income for the year		**-**	**-**	**3,311**	**15,947**	**19,258**
Dividends paid	5	**-**	**-**	**-**	**(1,859)**	**(1,859)**
Movement in shares held by the employee benefit trust		**-**	**-**	**-**	**(971)**	**(971)**
Movement in respect of employee share scheme		**-**	**-**	**-**	**85**	**85**
Deferred tax relating to employee share schemes		**-**	**-**	**-**	**675**	**675**
At 30 September 2015		**31,023**	**34,708**	**2,879**	**(26,406)**	**42,204**

Other reserves consist of the capital redemption reserve of £500,000 (2014: £500,000) and the translation reserve of £2,379,000 (2014: (£932,000)).

All movements in other reserves relate to the translation reserve.

1. Basis of preparation

a) These financial results do not comprise statutory accounts for the year ended 30 September 2015 within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2014 were approved by the Board of Directors on 19 November 2014 and delivered to the Registrar of Companies. Statutory accounts for the year ended 30 September 2015 will be delivered to the Registrar following the Company's Annual General Meeting. The report of the auditors on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

b) This financial information has been prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union (collectively 'IFRSs') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

c) Certain statements in this announcement constitute forward-looking statements. Any statement in this announcement that is not a statement of historical fact including, without limitation, those regarding the Company's future expectations, operations, financial performance, financial condition and business is a forward-looking statement. Such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this announcement and the Company undertakes no obligation to update its view of such risks and uncertainties or to update the forward-looking statements contained herein. Nothing in this announcement should be constructed as a profit forecast.

d) Recent accounting developments

The following standards, amendments and interpretations have been issued by the International Accounting Standards Board (IASB) or by the International Financial Reporting Interpretations Committee (IFRIC). The Group's approach to these is as follows:

a) Standards, amendments and interpretations effective in 2015
The following standards and amendments have been adopted for the year ended 30 September 2015 but have no impact on the Group financial statements:

- IAS 32, 'Offsetting Financial Assets and Financial Liabilities'
- IAS 36, 'Recoverable Amount Disclosures for Non-Financial Assets'
- IAS 39, 'Novation of Derivatives and Continuation of Hedge Accounting'
- IFRIC 21, 'Levies'
- Amendments to IFRS 10, IFRS 12 and IAS 27, 'Investment Entities'
- Amendments to IAS 19, 'Defined Benefit Plans: Employee Contributions'
- Annual improvements cycle 2010-2012
- Annual improvements cycle 2011-2013

b) The following standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 October 2014, have not been adopted early and are not expected to have a material impact on the Group financial statements:

- IFRS 9, 'Financial instruments'
- IFRS 14, 'Regulatory Deferral Accounts'
- IFRS 15, 'Revenue from Customer Contracts'
- Amendments to IAS 1, 'Disclosure initiative'
- Amendment to IFRS 10 and IAS 28, 'Sale or Contribution of Assets between and Investor and its Associate or Joint Venture'
- Amendments to IFRS 10, IFRS 12 and IAS 28, 'Applying the consolidation exemption'
- Amendments to IFRS 11, 'Accounting for Acquisition Interests in Joint Operations'
- Amendments to IAS 16 and IAS 38, 'Clarification of Acceptable Methods of Depreciation and Amortisation'
- Amendments to IAS 16 and IAS 41, 'Agriculture – Bearer Plants'
- Amendments to IAS 27, 'Equity Method in Separate Financial Statements'
- Annual improvements cycle 2012-2014

2. Segment information

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

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

Business Segments

Year ended 30 September 2015

	Protection & Defence £'000	Dairy £'000	Unallocated £'000	Group £'000
Revenue	98,843	35,475		134,318
Segment result before depreciation, amortisation, exceptional items, acquisition costs and defined benefit pension scheme credit	21,632	7,707	(2,072)	27,267
Depreciation of property, plant and equipment	(3,513)	(1,121)	(50)	(4,684)
Amortisation of development costs and software	(2,206)	(153)	(9)	(2,368)
Segment result before amortisation of acquired intangibles, exceptional items, acquisition costs and defined benefit pension scheme credit	15,913	6,433	(2,131)	20,215
Amortisation of acquired intangibles	(384)	(659)		(1,043)
Exceptional items and acquisition costs	(209)	(180)	(215)	(604)
Defined benefit pension scheme credit			318	318
Segment result	15,320	5,594	(2,028)	18,886
Finance income			45	45
Finance costs			(192)	(192)
Other finance expense			(901)	(901)
Profit before taxation	15,320	5,594	(3,076)	17,838
Taxation			(2,672)	(2,672)
Profit for the year from continuing operations	15,320	5,594	(5,748)	15,166
Discontinued operations – loss for the year			(1,500)	(1,500)
Profit for the year	15,320	5,594	(7,248)	13,666
Segment assets	59,487	42,645	6,444	108,576
Segment liabilities	8,378	10,336	47,658	66,372
Other segment items				
Capital expenditure				
- intangible assets	2,800	146	15	2,961
- property, plant and equipment	1,320	1,902	-	3,222

Year ended 30 September 2014

	Protection & Defence £'000	Dairy £'000	Unallocated £'000	Group £'000
Revenue	92,818	31,961		124,779
Segment result before depreciation, amortisation, exceptional items and defined benefit pension scheme costs	18,542	6,600	(2,239)	22,903
Depreciation of property, plant and equipment	(3,289)	(771)	(67)	(4,127)
Amortisation of development costs and software	(1,670)	(94)	(9)	(1,773)
Segment result before amortisation of acquired intangibles, exceptional items and defined benefit pension scheme costs	13,583	5,735	(2,315)	17,003
Amortisation of acquired intangibles	(261)			(261)
Exceptional items	(2,017)			(2,017)
Defined benefit pension scheme costs			(400)	(400)
Segment result	11,305	5,735	(2,715)	14,325
Finance income			1	1
Finance costs			(275)	(275)
Other finance expense			(187)	(187)
Profit before taxation	11,305	5,735	(3,176)	13,864
Taxation			(3,053)	(3,053)
Profit for the year	11,305	5,735	(6,229)	10,811

Segment assets	52,128	13,501	6,157	71,786
Segment liabilities	12,011	1,946	32,813	46,770
Other segment items				
Capital expenditure				
- intangible assets	2,725	337	-	3,062
- property, plant and equipment	1,898	1,825	8	3,731

3. Adjustments and discontinued operations

	2015	2014
	£’000	£'000
Amortisation of acquired intangible assets	**1,043**	261
Relocation of Lawrenceville facility	**-**	2,017
Recruitment costs	**215**	-
Acquisition costs	**389**	-
Defined benefit pension scheme administration costs	**350**	400
Defined benefit pension scheme settlement gain	**(668)**	-
	1,329	2,678

	2015	2014
	£’000	£'000
Loss on discontinued operations	**1,500**	-

The tax impact of the above is a £0.25m reduction in overseas tax (2014: £0.45m).

The recruitment costs relate to the recruitment of main Board Directors.

The acquisition costs relate to legal and professional fees on the acquisition of Hudstar Systems Inc. and InterPuls S.p.A.

Defined benefit pension scheme costs relate to administrative expenses of the scheme which is closed to future accrual. The defined benefit pension scheme settlement gain arose following a trivial commutation exercise.

The loss for the year on discontinued operations of £1.5m relates to dilapidations costs of former leased premises of a business which was disposed of in 2006.

4. Taxation

	2015	2014
	£'000	£'000
United Kingdom	**(578)**	-
Overseas	**3,250**	3,053
	2,672	3,053
Effect of exceptional items	**253**	450
Adjusted tax charge	**2,925**	3,503

The effective tax rate for the year is 15% (30 September 2014: 22%).

The adjusted effective tax rate, where the tax charge and the profit before taxation are adjusted for exceptional items, the amortisation of acquired intangibles and defined benefit pension scheme costs is 15% (30 September 2014: 21%).

5. Dividends

On 29 January 2015, the shareholders approved a final dividend of 3.74p per qualifying ordinary share in respect of the year ended 30 September 2014. This was paid on 20 March 2015 absorbing £1,127,000 of shareholders' funds.

On 29 April 2015, the Board of Directors declared an interim dividend of 2.43p (2014: 1.87p) per qualifying ordinary share in respect of the year ended 30 September 2015. This was paid on 4 September 2015 absorbing £732,000 (2014: £560,000) of shareholders' funds.

After the balance sheet date the Board of Directors proposed a final dividend of 4.86p per qualifying ordinary share in respect of the year ended 30 September 2015, which will absorb an estimated £1,464,000 of shareholders' funds. Subject to shareholder approval, the dividend will be paid on 18 March 2016 to shareholders on the register at the close of business on 19 February 2016. In accordance with accounting standards this dividend has not been provided for and there are no corporation tax consequences.

6. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee share ownership trust. The company has dilutive potential ordinary shares in respect of the Performance Share Plan. Adjusted earnings per share adds back to profit the effect of the amortisation of acquired intangible assets, exceptional items, acquisition costs and defined benefit pension scheme costs.

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

	2015	2014
Weighted average number of ordinary shares in issue used in basic calculations (thousands)	**30,107**	29,871
Potentially dilutive shares (weighted average) (thousands)	**830**	979
Fully diluted number of ordinary shares (weighted average) (thousands)	**30,937**	30,850

	2015 £'000	**2015 Basic eps pence**	**2015 Diluted eps pence**	2014 £'000	2014 Basic eps pence	2014 Diluted eps pence
Profit attributable to equity shareholders of the Company	**13,666**	**45.4**	**44.2**	10,811	36.2	35.0
Loss from discontinued operations	**1,500**	**5.0**	**4.8**	-	-	-
Profit from continuing operations	**15,166**	**50.4**	**49.0**	10,811	36.2	35.0
Adjustments	**1,730**	**5.7**	**5.6**	2,240	7.5	7.3
Profit excluding loss from discontinued operations, amortisation of acquired intangibles assets, exceptional items, acquisition costs and defined benefit pension scheme costs	**16,896**	**56.1**	**54.6**	13,051	43.7	42.3

7. Provisions for liabilities and charges

	Facility relocation £'000	Property obligations £'000	Total £'000
Balance at 1 October 2013	-	2,613	2,613
Charged in the year	1,637	1,632	3,269
Unwinding of discount	-	175	175
Payments in the year	(1,191)	(1,056)	(2,247)
Exchange difference	8	1	9
Balance at 30 September 2014	454	3,365	3,819
Charged in the year	**-**	**1,500**	**1,500**
Unwinding of discount	**-**	**247**	**247**
Payments in the year	**(485)**	**(2,545)**	**(3,030)**
Exchange difference	**31**	**-**	**31**
Balance at 30 September 2015	**-**	**2,567**	**2,567**

8. Share capital

	2015	2014
Number of shares (thousands)	**31,023**	31,023
Ordinary shares (£'000)	**31,023**	31,023

9. Cash generated from operations

	2015 £'000	2014 £'000
Continuing operations		
Profit for the year	**15,166**	10,811
Adjustments for:		
Taxation	**2,672**	3,053
Depreciation	**4,684**	4,127
Amortisation of intangible assets	**3,411**	2,034
Defined benefit pension scheme (credit)/cost	**(318)**	400
Finance income	**(45)**	(1)
Finance costs	**192**	275
Other finance expense	**901**	187
Loss on disposal of intangibles	**-**	149
Loss on disposal of property, plant and equipment	**7**	209
Movement in respect of employee share scheme	**85**	88
(Increase)/decrease in inventories	**(1,264)**	370
Decrease in receivables	**4,225**	1,479
(Decrease)/increase in payables and provisions	**(6,855)**	2,336
Cash generated from continuing operations	**22,861**	25,517
Discontinued operations		
Loss for the Year	**(1,500)**	-
Decrease in payables and provisions	**(29)**	-
Cash used in discontinued operations	**(1,529)**	-
Cash generated from operations	**21,332**	25,517

Cash flows relating to the discontinued operations are as follows:

Cash flows from operating activities	**(1,529)**	-
Cash used in discontinued operations	**(1,529)**	-

10. Analysis of net (debt)/cash

This note sets out the calculation of net (debt)/cash, a measure considered important in explaining our financial position.

	At 1 Oct 2014 £'000	Cash flow £'000	Acquisitions £'000	Exchange movements £'000	**At 30 Sept 2015 £'000**
Cash at bank and in hand	2,925	(2,710)	20	97	**332**
Overdraft	-	8	(8)	-	**-**
Net cash and cash equivalents	2,925	(2,702)	12	97	**332**
Debt due in less than 1 year	-	100	(2,324)	(126)	**(2,350)**
Debt due in more than 1 year	-	(10,705)	(277)	(161)	**(11,143)**
	2,925	(13,307)	(2,589)	(190)	**(13,161)**

On 9 June 2014 the Group agreed new bank facilities with Barclays Bank and Comerica Bank. The combined facility comprises a revolving credit facility of $40m and expires on 30 November 2018. This facility is priced on the dollar LIBOR plus a margin of 1.25% and includes financial covenants which are measured on a quarterly basis. The Group was in compliance with its financial covenants during 2015 and 2014.

InterPuls S.p.A has a fixed term loan of €2.5m which expires on 31 December 2015. This facility is priced on EURIBOR plus margin of 0.9%.

11. Exchange rates

The following significant exchange rates applied during the year.

	Average rate 2015	**Closing rate 2015**	Average rate 2014	Closing rate 2014
US Dollar	**1.542**	**1.517**	1.654	1.631
Euro	**1.351**	**1.359**	1.221	1.281

Fair value of financial instruments

The fair value of forward exchange contracts is determined by using valuation techniques using year-end spot rates, adjusted for the forward points to the value date of the contract.

12. Acquisitions

On 19 June 2015, the Group completed the acquisition of 100% of the share capital of Hudstar Systems Inc. for £3.2m in cash, with deferred contingent consideration of up to £0.3m. The book value of the assets acquired was £0.4m and after accounting policy adjustments and fair value adjustments of £2.0m, goodwill of £1.1m was recognised reflecting control over key technology and the workforce of the acquired business.

On 5 August 2015, the Group acquired 100% of the share capital and shareholder loan notes of InterPuls S.p.A. for cash consideration of £18.0m. The book value of the assets acquired was £6.0m and after accounting policy adjustments and fair value adjustments of £10.9m, goodwill of £1.1m was recognised reflecting sales synergies from integration of distribution channels, access to new markets and the workforce of the acquired business.

	Hudstar £'000	InterPuls £'000	**Total £'000**
Intangible assets recognised on acquisition	3,323	16,826	20,149
Deferred tax associated with the initial recognition of intangible assets	(1,163)	(5,599)	(6,762)
Other net assets	261	5,642	5,903
Goodwill	1,100	1,101	2,201
Consideration	3,521	17,969	21,490

13. Post balance sheet event

On 8 October 2015 the Group acquired the trade and assets of the Argus thermal imaging business from e2v technologies plc for consideration of £3.5m.

Based in Chelmsford UK, Argus is a leading designer and manufacturer of thermal imaging cameras for the first responder and fire markets.

14. Annual Report & Accounts

Copies of the Directors' report and the audited financial statements for the year ended 30 September 2015 will be posted to shareholders who have elected to receive a copy and may also be obtained from the Company's registered office at Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB, England. Full audited financial statements will be available on the Company's website at www.avon-rubber.com.

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Richard Wood (Non-Executive Director)
Andrew Lewis (Interim Group Chief Executive)
Sarah Matthews-DeMers (Associate Group Finance Director)

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