STRONG FOUNDATIONS FOR GROWTH

Paul McDonald, Chief Executive Officer

"I am pleased to report another successful year, delivering strong growth whilst further building the order book to provide excellent visibility into 2019.

The results reflect the ongoing benefits of the strategic actions we are taking to grow our presence in our core markets and to invest further in product development to meet the needs of our expanding customer base across both businesses.

The positive momentum in both Avon Protection and milkrite | InterPuls provides a strong foundation for growth and leaves us well positioned to deliver further success during 2019."

	30 Sept 2018	30 Sept 2017 (Restated)[2]	% Increase Reported	**% Increase Constant Currency**
Orders received	**£173.3m**	£166.0m	4.4%	**8.1%**
Closing order book	**£37.8m**	£30.0m	26.0%	**23.4%**
Revenue	**£165.5m**	£159.2m	4.0%	**8.7%**
Adjusted[1] operating profit	**£27.3m**	£26.1m	4.6%	**11.8%**
Operating profit	**£22.8m**	£20.1m	13.4%	**23.4%**
Net cash	**£46.5m**	£24.7m		**Up £21.8m**
Adjusted[1] basic earnings per share[3]	**77.1p**	83.8p	(8.0%)	**(0.8%)**
Basic earnings per share[3]	**64.9p**	71.6p	(9.4%)	**(1.2%)**
Dividend per share	**16.02p**	12.32p	30.0%	**30.0%**

Operational highlights

- Continuing demand for US DOD M50 mask systems, with 2019 covered by current order book
- Good customer demand for new products: powered air range and MCM100 underwater rebreather
- UK MOD General Service Respirator 5 year contract received with deliveries commencing in 2019
- Growth in Law Enforcement revenue, converting customers from competitors' legacy products
- Good momentum in Military orders and Law Enforcement underpins 2019 revenues
- milkrite | InterPuls growth across all product lines with strong Interface recovery in second half
- Acquisition of Merrick's calf nurser product line for $2.1m
- Divested non-core Avon Engineered Fabrications for $9.25m
- West Palm Beach electronics assembly facility relocated to our Cadillac facility

Financial highlights at constant currency

- Strong financial delivery – revenue, operating profit, EPS and cashflow ahead of expectations
- Orders received up 8.1% and ahead of revenue
- Revenue up 8.7% and adjusted operating profit up 11.8%
- High volume sales of US DOD M50 mask system resulted in adjusted EBITDA margins of 21.3%
- Adjusted[1] basic earnings per share of 77.1p (0.8% down) due to lower tax provision release in 2018 compared to 2017
- Strong cash generation (108.2% of EBITDA) and divestment proceeds resulted in net cash of £46.5m, up £21.8m
- Final dividend per share of 10.68p resulting in full year total dividend of 16.02p, a 30% increase
- Opening order book for 2019 of £37.8m providing good forward revenue visibility

Notes:

[1] The Directors believe that adjusted measures provide a more useful comparison of business trends and performance. Adjusted results exclude exceptional items, defined benefit pension scheme costs, the amortisation of acquired intangibles and discontinued operations. The term adjusted is not defined under IFRS and may not be comparable with similarly titled measures used by other companies. A reconciliation of reported numbers to adjusted numbers is provided in note 3 to the preliminary results.

[2] 2017 has been restated to reflect the continuing operations of the Group following the sale of AEF on 30 March 2018.

[3] Basic earnings per share and adjusted basic earnings per share are presented on a continuing operations basis.

For further enquiries, please contact:

Avon Rubber p.l.c.

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An analyst meeting will be held at 11am this morning at the offices of Weber Shandwick, 2 Waterhouse Square, 140 Holborn, London, EC1N 2AE. The analyst meeting will be webcast live on www.avon-rubber.com

Legal Entity Identifier: 213800JM1AN62REBWA71

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation ('MAR') EU no.596/2014. Upon the publication of this announcement via Regulatory Information Service ('RIS'), this inside information is now considered to be in the public domain.

Note to editors:

Avon Rubber is an innovative technology group which designs and produces specialist products and services to maximise the performance and capabilities of its customers. We specialise in Chemical, Biological, Radiological and Nuclear ('CBRN') and respiratory protection systems, as well as milking point solutions through our two businesses Avon Protection and milkrite | InterPuls.

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

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.

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

CHIEF EXECUTIVE OFFICER'S REVIEW

I am delighted to report on another strong set of results which confirms the progress of our growth strategy. We have built momentum with a continued focus on growing the core revenue of the business to deliver sustainable and improving operating profits and cash flows.

Our ability to generate cash has allowed us to increase our investment in product development to support future growth. Investing in our product portfolio enables us to maintain the competitive advantage of our existing range and to develop new products that meet the future needs of our widening customer base.

We have made a conscious effort to enhance the predictability and sustainability of our business. This has resulted in us growing our order book in 2018 to establish strong visibility that will enable us to target new contract opportunities whilst retaining the flexibility to manage scheduling and timing effectively.

We continue to explore acquisition opportunities where we see the potential to complement our existing businesses and to deliver additional growth opportunities to create further value for our shareholders. Our strong balance sheet will enable us to execute on acquisition opportunities meeting our clear investment criteria.

There are significant medium and long-term growth opportunities for both Avon Protection and milkrite | InterPuls. I am confident that our strong foundations for growth provide us with the ability to continue delivering value to our customers, our people and our shareholders in the future.

STRATEGY

The updated strategy, launched last year, is based upon creating shareholder value through three key elements:

- growing the core by maximising organic sales growth from our current product portfolio and maximising the operational efficiency of our existing facilities;
- pursuing selective product development to maintain our innovation leadership position; and
- targeting value enhancing acquisitions to complement our existing businesses and add additional growth opportunities for the Group.

GROW THE CORE

Avon Protection

Strong growth in Military and Law Enforcement has resulted in Avon Protection delivering another record year through our continued focus on expanding our customer base and product offering to provide a broader portfolio of products and extracting more value from our existing customers.

Expanding our global Military customer base

Our world-leading expertise and reputation for quality in respiratory protection systems has been recognised by the UK Ministry of Defence ('MOD') through the signing in February of a five year contract for the resupply and in-service support of its General Service Respirator ('GSR').

Since re-establishing our relationship with the UK MOD through the GSR contract, we have been able to demonstrate to them our technical capabilities and track record of service and delivery that meets the most exacting quality standards of our Military customers. We anticipate that in time this will generate further opportunities to deepen our relationship with the UK MOD.

The launch of our MCM100 underwater rebreather has provided further opportunities to establish and strengthen relationships with a number of European and Rest of World Militaries and demonstrate our innovation and delivery capabilities.

Our strong relationship with the US Military has enabled us to develop a broad product portfolio ranging from our general service respiratory systems through to complex integrated and modular powered and supplied air systems. As a result of the modularity of our product offering, we can offer a bespoke solution to meet the budgets and differing usage requirements of potential Military customers.

With a breadth of product offering, and ongoing investment in research and development, we are in a strong position to deepen our existing customer relationships and pursue the new opportunities that our world-leading reputation is creating.

Growing the Law Enforcement market

This year has seen a greatly expanded market demand for our protection products as the needs of the Law Enforcement community to meet the diverse CBRN threats has increased. This has been reflected in the significant sales momentum in the US market for our range of supplied and powered air products, following NIOSH safety approval in March of this year, and the strong sales performance of hoods and mask systems in Europe, the Middle East and Asia.

We have seen good market penetration with US Law Enforcement municipalities, where we have been able to leverage our differentiated modular product range to grow our market share. In the medium-term, we expect our share of the law enforcement market to grow in both the US and other jurisdictions as we take advantage of our product innovation leadership position.

Reshaping our Fire strategy

The Fire market has seen tougher trading conditions through the year as customers have delayed purchasing commitments on older legacy ranges in advance of the arrival of the new 2019 National Fire Protection Association ('NFPA') compliant products. The launch of products compliant with the 2019 NFPA standards is later than expected due to delays at the NFPA in finalising the standards.

The market for self-contained breathing apparatus (SCBA) in the Fire sector remains highly competitive and includes a fragmented customer base. We continue to see opportunities in this segment with our upgraded Magnum SCBA range, designed to comply with the new 2019 NFPA standards, which we expect to launch in the spring of 2019 and we have revised our sales strategy for the Fire market to ensure we return to growth in the short-term.

The argus thermal imaging camera technology has made a significant cumulative contribution to Fire market sales. During the year, we launched the NFPA certified Mi-TIC E L camera, which can now be sold into the US market. This model of the thermal imaging camera is the most cost effective entry-level solution for Fire services, without compromising on technology or quality. The argus range is a trusted brand for firefighters and this latest approval adds more options and variety for our customers and will help to maintain Avon Protection's position as a leading global supplier of certified thermal imaging cameras.

Continuous focus on operational efficiency

Building on our existing manufacturing and service operation is a constant focus for Avon Protection to maximise the service delivery for our expanding customer base and widening product portfolio. Our well established and efficient manufacturing operation has enabled us to maintain excellent product quality control and reliability across our product range. As we move up the value chain in respiratory protection, with greater focus on more technical solutions for mask systems and supplied and powered air products, we are focused on ensuring that we maintain high productivity levels whilst being able to meet all of our customers' requirements.

To achieve a greater level of production efficiency, during the year we relocated our West Palm Beach, Florida electronics assembly facility to our main US manufacturing facility in Cadillac, Michigan. This is part of our commitment to continually improve our production processes and to deliver scale efficiencies.

During the year, working with a local partner, we installed a production assembly line in Kazakhstan for the production of escape hoods primarily for the oil and gas sector. We will continue to explore additional opportunities, where appropriate, to deploy flexible manufacturing solutions, including local assembly operations to support regional customers, and optimise our production cost base to meet our future growth aspirations.

milkrite | InterPuls

We have maintained our focus on expanding our position as milking point experts across each line of business for milkrite | InterPuls. The growing demand for dairy foodstuffs underpins medium and long-term opportunities for broadening the geographic reach of our products through the enhancement of our dealer network and the growth of Farm Services.

Retaining our Interface leadership

We have a global market-leading position in Interface, with our Impulse and Impulse Air ranges designed to maximise animal health and milking efficiency. Our innovation in Interface products ensures that we maximise our competitive advantage and counter competitor challenge. In addition, we remain committed to expanding the global dealer network to maximise our market coverage and access new customers.

Expanding Precision, Control & Intelligence (PCI) distribution

We have an advanced range of PCI products and our emphasis is on the technical dealer network to provide an upgraded sale and support capability to our customer base across all geographies. During the year, we have added technical sales specialists to our North American team to leverage our Interface platform and align the more technical solution the PCI products can deliver to the benefits they can bring to our customers in the performance and efficiency of milk production.

Growing the Farm Services lease ownership model

We have once again seen very strong growth in Farm Services as a wider base of our customers sees the benefit of accessing our product range on a lease hire basis. The Cluster Exchange Service (CES) in both US and European markets has performed strongly and the sales strategy is focused on delivering on the opportunities to grow Pulsator Exchange Service (PES) and Tag Exchange Service (TES).

This ultimately provides us with the future delivery platform for ever increasingly advanced products, which provides a direct contact for service and support with our customers.

SELECTIVE PRODUCT DEVELOPMENT

Continued investment to expand our product range

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

The development expenditure in the year has predominantly focused on Avon Protection, with significant investment in the UK GSR, MCM100 and next generation hood programmes. We also invested in obtaining NIOSH safety approval for our supplied and powered air range and preparing our upgraded Magnum SCBA for NFPA verification. Development expenditure for milkrite | InterPuls included the upgraded Milk Meter equipment and subsequent ICAR approval together with the PCI heavy duty equipment for North America to meet the needs of our larger industrial farm customers.

In 2018 we invested a total of £9.7m, representing 5.9% of revenue, in research and development. Over the medium-term we expect to maintain the current level of funding for product development. This reflects our confidence in our ability to innovate to meet the future technical needs of our customers thereby generating profitable revenue growth.

Building on our long-term partnership with the DOD

We have continued to work with the DOD on a number of potentially significant new platform programmes including the M69 aircrew mask, the M53A1 mask and powered air system and a follow on M50 mask system contract.

We currently expect to enter into multi-year contracts with the DOD for the M69 aircrew mask and the M53A1 mask and powered air system in the new financial year with production commencing in the second half of the year. We are also in discussions with the DOD to put in place a follow on contract for the M50 mask system following the conclusion of the initial 10-year contract in July.

VALUE ENHANCING ACQUISITIONS

We intend to complement the organic growth strategy described above with carefully selected value enhancing acquisitions within both Avon Protection and milkrite | InterPuls. Acquisitions are intended to complement and extend the reach of our existing businesses. This will have the effect of building a more robust and diversified business, whilst retaining the benefits of our technology expertise and strong customer relationships.

As part of our acquisition strategy, we also review our existing market segments to ensure that they still meet our core strategic objectives. The divestment of AEF, the US based manufacturer of hovercraft skirts and bulk liquid storage tanks, reflects this focus on growing the core business in our chosen market segments.

milkrite | InterPuls acquired the Merrick's calf nurser product line for a total cost of $2.1m in June this year. milkrite | InterPuls has been the long-standing manufacturer of the rubber component of the calf nurser product and the acquisition enables us to take full control of the distribution of this product.

We continue to explore other acquisition opportunities where we see the potential to deliver significant strategic and financial value. We have a strong balance sheet, including net cash of £46.5m, together with undrawn bank facilities of $40m, and a cash generative business. This financial position, as well as our willingness to extend leverage up to two times EBITDA, means we are well positioned to pursue potential acquisitions that meet our criteria and act decisively where we find them.

PEOPLE

Last year saw a significant transition of leadership within the Executive leadership teams of both businesses, and I have been very pleased that these changes have resulted in a clearer strategic direction and alignment for the Group.

In recognition of the extensive Military growth opportunities within Avon Protection, I am delighted to welcome James Wilcox to the Executive leadership team to lead our global Military business. James is an internal appointment from within the Avon Protection business and has many years of experience developing and marketing products to our Military customers. I believe that having specific sector leadership for Military, with Leon Klapwijk continuing to lead Law Enforcement and Fire, will greatly enhance our strategic delivery in Avon Protection to support our ambitious and exciting growth strategy for the future.

OUTLOOK

Our opening order book of £37.8m provides good visibility as we enter the new financial year, and we are well positioned to continue our strong momentum into 2019.

Within Avon Protection, first deliveries of the M69 aircrew masks, the M53A1 mask and powered air system, and the UK General Service Respirator to the UK MOD will be made in 2019. The revenue opportunities from new products and customers is expected to offset the impact of the anticipated reduction in M50 mask system volumes. Alongside this, we expect continued sustainable growth from the widening customer and product base in Law Enforcement and, following the launch of our upgraded Magnum SCBA, we expect a stronger performance in the Fire business. There also remains a healthy pipeline of potential further contract opportunities.

Dairy market conditions have remained stable, although there has been some recent market caution around expectations for future feed prices. In this environment, we currently anticipate that the growth trends experienced by milkrite | InterPuls in 2018 will continue in the new financial year.

We have created a strong foundation to deliver further growth in 2019 through delivering against our three strategic priorities of growing the core, selective product development and value enhancing acquisitions.

OPERATIONAL REVIEW

AVON PROTECTION

Financial Performance

	2018	2017 (restated)	% Change	% Change at constant currency
Orders received	**£124.6m**	£116.0m	7.4%	**11.4%**
Closing order book	**£35.3m**	£26.5m	33.2%	**30.6%**
Revenue	**£115.7m**	£109.8m	5.4%	**10.6%**
Adjusted EBITDA	**£26.6m**	£26.8m	(0.7%)	**5.3%**
Adjusted EBITDA margin	**23.0%**	24.4%	(1.4%)	**(1.1%)**
Adjusted operating profit	**£21.5m**	£20.1m	7.0%	**13.4%**
Operating profit	**£19.5m**	£16.2m	20.4%	**26.7%**

Growth in orders received to £124.6m (2017: £116.0m) delivered an increase in revenue of 5.4% to £115.7m (2017: £109.8m). On a constant currency basis, revenue grew by 10.6% with Military revenue growing by 8.0%, strong 28.1% growth in Law Enforcement and Fire declining by 10.0%, reflecting a more challenging Fire market.

Adjusted operating profit grew by 7.0% to £21.5m (2017: £20.1m). Eliminating the impact of currency movements, adjusted operating profit grew by 13.4% on a constant currency basis.

Our adjusted EBITDA margin softened to 23.0% (2017: 24.4%), being a reduction of 1.1% on a constant currency basis, primarily reflecting product mix with a higher volume of M50 mask systems shipped in 2018 compared to last year. Adjusted EBITDA was £26.6m (2017: £26.8m); eliminating the impact of currency movements, adjusted EBITDA grew by 5.3% at constant currency.

Military

Military revenue of £66.1m (2017: £64.2m) was up 3.0%. Excluding the impact of unfavourable currency movements Military revenues were up 8.0% on a constant currency basis.

DOD revenue totalled £52.7m versus £50.5m in 2017, reflecting higher M50 mask system volumes and increased volumes of spares and accessories more than offsetting unfavourable currency movements.

We delivered 179,000 M50 mask systems and 150,000 filter pairs, compared with 150,000 mask systems and 144,000 pairs of filter spares in 2017. DOD spares and development costs revenue decreased to £12.0m (2017: £15.6m) due to 2017 including higher development costs relating to the M69 air crew mask.

Having received orders for 219,000 M50 mask systems during the year, we enter the new financial year with an order book of 89,000 systems.

Revenue from our Rest of World Military business totalled £13.4m (2017: £13.7m). Initial revenue from Military sales of our powered and supplied air range and the MCM100 underwater rebreather largely offset the non-repeat revenue in 2017 from the 37,000 FM50 general purpose masks delivery.

Law Enforcement

Law Enforcement revenue grew 22.1% to £35.4m (2017: £29.0m) reflecting strong growth of 28.1% on a constant currency basis offset by adverse currency movements. This was driven by strong performances in hoods and mask systems across all regions as we continue to make progress in converting police forces to our products. In North America, we also benefited from increased sales of filters and spares to our expanding customer base. Initial sales of our supplied and powered air ranges also contributed to the growth in the year and our expanded product range provides an exciting foundation for future growth.

Fire
Fire revenue dropped by 14.5% to £14.2m (2017: £16.6m) including the impact of unfavourable currency movements, or a smaller reduction of 10.0% on a constant currency basis, due to tougher market conditions experienced in North America. The NFPA approval of Magnum later in the financial year will offer greater opportunity for growth in Fire as we expect Fire services to return to the market to procure the updated and compliant SCBA range.

OPERATIONAL REVIEW

MILKRITE | INTERPULS

Financial Performance

	2018	2017	% Change	% Change at constant currency
Orders received	**£48.7m**	£50.0m	(2.6%)	**0.6%**
Closing order book	**£2.5m**	£3.5m	(28.6%)	**(31.1%)**
Revenue	**£49.8m**	£49.4m	0.8%	**4.3%**
Adjusted EBITDA	**£10.9m**	£10.9m	0.0%	**5.2%**
Adjusted EBITDA margin	**21.9%**	22.1%	(0.2%)	**0.2%**
Adjusted operating profit	**£8.0m**	£8.0m	0.0%	**6.7%**
Operating profit	**£6.0m**	£6.3m	(4.8%)	**3.6%**

Revenue increased by 0.8% to £49.8m (2017: £49.4m); excluding the impact of unfavourable currency movements revenue grew 4.3% on a constant currency basis.

On a constant currency basis, Interface grew revenue by 2.9%, PCI by 1.9% and Farm Services by 19.8%. The growth trends reflect the current stable global dairy market conditions and the improved trading conditions in North America in the second half of the year.

Adjusted operating profit and adjusted EBITDA were both flat at £8.0m (2017: £8.0m) and £10.9m (2017: £10.9m) respectively, with constant currency growth of 6.7% and 5.2% respectively being offset by unfavourable currency movements. The adjusted EBITDA margin of 21.9% (2017: 22.1%) increased by 0.2% on a constant currency basis.

Interface
Interface revenue reduced by 0.8% to £35.6m (2017: £35.9m), including the impact of unfavourable currency movements. On a constant currency basis, Interface revenues grew by 2.9% driven by a stronger performance in North America in the second half of the year and strong growth in Latin America, Europe, the Middle East and Asia Pacific.

North America revenues of £17.8m (2017: £19.2m) declined by 1.7% on a constant currency basis, reflecting the weaker market conditions in the first half of the year. Improved market conditions in the second half of the year and the acquisition of the Merrick's calf nurser product line in June, resulted in second half constant currency growth of 3.9%.

In Europe, revenue grew by 7.2% to £10.4m at constant currency. Latin America grew liner revenues by 11.5% on a constant currency basis reflecting market share gains in Brazil. Asia Pacific liner revenues increased by 8.2%, at constant currency, as a result of stronger market conditions experienced in the important market of China during 2018.

Precision, Control & Intelligence
The sales of our PCI range have continued to perform well across our key markets. Revenue was flat at £9.0m (2017: £9.0m), but grew 1.9% at a constant currency rate as dairy farmers continue to invest in our PCI products to drive farm efficiency. Constant currency growth was driven by growth in Europe of 3.6% and of 10.5% in the Middle East, and as with our Interface products, we gained market share in Latin America with PCI growth of 17.6%.

Farm Services

Farm Services has continued to show exceptional growth with revenue of £5.2m (2017: £4.5m), up 19.8% at constant currency, reflecting the ongoing success of Cluster Exchange which saw a 14% growth in cluster points in the period. The constant currency growth was driven by growth in North America of 20.9% and 18.5% in Europe. The extension of Farm Services to include Pulsator Exchange and Tag Exchange provides opportunities for growth in future years.

At the end of the year, Cluster Exchange had grown by 14.0% to 40,000 cluster points (2017: 35,000) serving 637,000 cows on 2,100 farms, up from 624,000 cows and 1,900 farms at the same time last year.

FINANCIAL REVIEW

The Group has delivered a strong financial performance during the year with revenue and adjusted operating profit increasing at constant currency by 8.7% and 11.8% respectively. Given our US businesses constitute over 70% of the Group, the stronger pound experienced during the year resulted in reported revenue increasing by 4.0% to £165.5m and reported adjusted operating profit by 4.6% to £27.3m (2017: £26.1m) at actual currency.

As a result of product mix, with the delivery of more M50 mask systems, our adjusted EBITDA margin of 21.3% was 0.8% lower than last year on a constant currency basis.

After a tax charge of £3.7m (2017: £0.4m), an adjusted effective rate of 13.6% (2017: 1.6%), the Group recorded an adjusted profit for the year after tax of £23.5m (2017: £25.5m). The increased tax rate resulted in adjusted basic earnings per share decreasing by 8.0% to 77.1p (2017: 83.8p).

On a reported basis, after taking account of the amortisation of acquired intangibles, defined pension and administration costs and the effect of the relocation of the West Palm Beach manufacturing facility, operating profit before tax grew by 13.4% to £22.8m (2017: £20.1m) or 23.4% on a constant currency basis. Profit before tax was £21.6m (2017: £18.9m) and, after a tax charge of £1.8m (2017: £2.9m tax credit), profit from continuing operations was £19.8m (2017: £21.8m). Basic earnings per share from continuing operations were 64.9p (2017: 71.6p).

The disposal of AEF on 30 March 2018 resulted in a profit from discontinued operations of £1.6m (2017: £0.3m loss) to give an overall profit for the year of £21.4m (2017: £21.5m).

Operational cash generation has continued to be strong with EBITDA cash conversion of 108.2%. The operational cash performance, taking into consideration the divestment of AEF and investment in the Merrick's calf nurser product line, resulted in a £21.8m increase in net cash during the year and a closing net cash balance of £46.5m. This strong cash position provides funding to support our organic growth strategy, investment in new product development and value enhancing acquisitions.

Against this strong backdrop, the Board has increased the final dividend by 30% to 10.68p resulting in total dividends for the year of 16.02p, also up 30% on 2017. This level of dividend increase is in line with our policy, and reflects our ongoing confidence in future performance of the Group.

The closing order book of £37.8m is 23.4% higher than at the end of 2017 on a constant currency basis, reflecting strong performances across the markets in which we operate. On an actual currency basis, the closing order book grew by 26.0%. The opening order book for 2019 provides good visibility heading into the new financial year.

SEGMENTAL INFORMATION

	2018 £m	2017[1] (restated) £m	Growth %	**Growth at constant currency %**
Orders received				
Avon Protection	**124.6**	116.0	7.4%	**11.4%**
milkrite | InterPuls	**48.7**	50.0	(2.6%)	**0.6%**
Total	**173.3**	166.0	4.4%	**8.1%**
Closing order book				
Avon Protection	**35.3**	26.5	33.2%	**30.6%**
milkrite | InterPuls	**2.5**	3.5	(28.6%)	**(31.1%)**
Total	**37.8**	30.0	26.0%	**23.4%**
Revenue				
Avon Protection	**115.7**	109.8	5.4%	**10.6%**
milkrite | InterPuls	**49.8**	49.4	0.8%	**4.3%**
Total	**165.5**	159.2	4.0%	**8.7%**
Adjusted EBITDA				
Avon Protection	**26.6**	26.8	(0.7%)	**5.3%**
milkrite | InterPuls	**10.9**	10.9	0.0%	**5.2%**
Unallocated corporate costs	**(2.2)**	(2.0)	10.0%	**12.4%**
Total	**35.3**	35.7	(1.1%)	**5.1%**
Adjusted EBITDA margin				
Avon Protection	**23.0%**	24.4%	(1.4%)	**(1.1%)**
milkrite | InterPuls	**21.9%**	22.1%	(0.2%)	**0.2%**
Total	**21.3%**	22.4%	(1.1%)	**(0.8%)**
Operating profit				
Avon Protection	**19.5**	16.2	20.4%	**26.7%**
milkrite | InterPuls	**6.0**	6.3	(4.8%)	**3.6%**
Unallocated corporate costs	**(2.7)**	(2.4)	12.5%	**12.8%**
Total	**22.8**	20.1	13.4%	**23.4%**
Adjusted operating profit				
Avon Protection	**21.5**	20.1	7.0%	**13.4%**
milkrite | InterPuls	**8.0**	8.0	0.0%	**6.7%**
Unallocated corporate costs	**(2.2)**	(2.0)	10.0%	**12.4%**
Total	**27.3**	26.1	4.6%	**11.8%**

1. 2017 has been restated to reflect the continuing operations of the Group following the sale of AEF on 30 March 2018.

PROFIT FOR THE YEAR

	2018 £m	2017 (restated) £m
Adjusted operating profit	**27.3**	26.1
Adjustments	**(4.5)**	(6.0)
Operating profit	**22.8**	20.1
Net finance costs	**(1.2)**	(1.2)
Profit before taxation	**21.6**	18.9
Taxation	**(1.8)**	2.9
Profit from continuing operations	**19.8**	21.8
Discontinued operations	**1.6**	(0.3)
Profit for the year	**21.4**	21.5

Adjustments

Adjustments of £4.5m (2017: £6.0m) excluded from adjusted operating profit comprise the £0.9m costs for the relocation of the West Palm Beach manufacturing facility to Cadillac, amortisation of acquired intangible assets of £3.1m (2017: £3.0m) and pension administration costs of £0.5m (2017: £0.4m). Adjustments in 2017 included an exceptional write down of costs of £2.9m in developing the EEBD product and included an exceptional credit of £0.3m for a post-acquisition working capital adjustment relating to the acquisition of InterPuls.

Finance costs

Net interest costs were nil (2017: £0.2m). Other finance expenses of £1.2m (2017: £1.0m) primarily represent the unwind of the discount on the net pension liability and, as in previous years, have been excluded from adjusted profit for the year.

Taxation

Taxation was a charge of £1.8m (2017: credit of £2.9m) which consists of a £3.7m charge relating to the current year and a £1.9m credit in respect of previous periods. The £1.9m credit in respect of previous periods includes a £0.7m credit in connection with the release of provisions following an updated assessment of uncertain tax positions.

Profit from Discontinued Operations

The profit from discontinued operations of £1.6m (2017: (£0.3m)) is comprised of the profit after tax of AEF up to the date of disposal on 30 March 2018 of £0.5m (2017: (£0.3m)) and the post tax gain on disposal of £1.1m.

NET CASH AND CASH FLOW

Adjusted cash generated from operations was £37.9m, up 6.5% on 2017. Operating cash conversion from adjusted EBITDA continued to be strong at 108.2% (2017: 98.1%) and operating cash conversion from adjusted operating profit was 139.9% (2017: 134.1%).

	2018 £m	2017 (restated) £m
Cash flows from continuing operations before the impact of exceptional items	**38.2**	35.0
Cash impact of exceptional items and discontinued operations	**(0.3)**	0.6
Cash flows from operations	**37.9**	35.6
Net interest	**-**	(0.1)
Payments to pension plan	**(1.5)**	(1.0)
Tax	**(5.0)**	(2.0)
Purchase of property, plant and equipment	**(3.3)**	(2.6)
Capitalised development costs and purchased software	**(5.6)**	(2.9)
Acquisitions	**(1.4)**	-
Divestments	**6.5**	-
Purchase of own shares	**(1.1)**	(1.0)
Dividends to shareholders	**(4.1)**	(3.2)
Foreign exchange and other items	**(0.6)**	(0.8)
Increase in net cash	**21.8**	22.0

At the year end, the Group had net cash of £46.5m (2017: £24.7m) and an undrawn US Dollar denominated bank facility of $40m (£30.7m), which is committed to 28 June 2021 with options to extend for a further two years.

Our strong balance sheet gives us the capacity to fund our growth strategy and make further acquisitions. Our policy is to maintain a strong financial position and keep the ratio of net debt to adjusted EBITDA under two times.

MERRICK'S CALF NURSER ACQUISITION

The acquisition of the Merrick's calf nurser product line in June was for a total cost of $2.1m. The cost included $1.8m (£1.4m) in cash consideration, associated acquisition costs of $0.1m, and the impact of a write-down of $0.2m in relation to a trade receivable balance due from Merrick's at the time of the acquisition.

RESEARCH AND DEVELOPMENT EXPENDITURE

We continue to invest for the future and our total investment in research and development (capitalised and expensed) amounted to £9.7m (2017: £8.3m) as shown below. Total research and development as a percentage of revenue was 5.9% (2017: 5.2%).

	2018			2017 (restated)		
	Avon Protection £m	**milkrite | InterPuls £m**	**Group £m**	Avon Protection £m	milkrite | InterPuls £m	Group £m
Total expenditure	**8.6**	**1.1**	**9.7**	7.5	0.8	8.3
Less customer funded	**(3.0)**	**-**	**(3.0)**	(4.6)	-	(4.6)
Group expenditure	**5.6**	**1.1**	**6.7**	2.9	0.8	3.7
Capitalised	**(5.0)**	**(0.5)**	**(5.5)**	(1.8)	(0.8)	(2.6)
Income statement impact of current year expenditure	**0.6**	**0.6**	**1.2**	1.1	-	1.1
Amortisation	**2.2**	**0.3**	**2.5**	3.0	0.2	3.2
Impairment	**-**	**-**	**-**	2.6	-	2.6
Total income statement impact	**2.8**	**0.9**	**3.7**	6.7	0.2	6.9
Revenue	**115.7**	**49.8**	**165.5**	109.8	49.4	159.2
R&D spend as % of revenue	**7.4%**	**2.2%**	**5.9%**	6.8%	1.6%	5.2%

In Avon Protection, the most significant investments have been in the production preparation for the General Service Respirator for the UK MOD and development of the MCM100 and the next generation hood programmes. We have also invested in obtaining approval for Magnum SCBA and the supplied and powered air range, with the NFPA and NIOSH respectively. In milkrite | InterPuls, investment expenditure has been focussed on the heavy duty PCI equipment range and an upgrade to our Milk Meter equipment.

The reduced charges in the year for amortisation and impairments reflects the non-recurrence of the one-off impacts in 2017 of the termination of the EEBD programme.

PENSIONS

The Group has a UK pension scheme which is closed to future accrual. The net pension liability, as measured under IAS 19 (revised), is £30.5m (2017: £44.1m). The £13.6m decrease in the deficit over the last year is due to the increase in discount rates reflecting the higher corporate bond return outlook and the lower actuarial mortality assumptions which are being reflected in the market.

On October 26, 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that pension schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. We are working with our actuarial advisers, to understand the extent to which the judgment crystallises any additional liabilities for the Group UK defined benefit pension scheme. We are early in the evaluation process, but we estimate that the additional liability could be in the region of £3.0m. Subsequent to further assessment with our advisors, any necessary adjustment is expected to be recognised in the first half of our 2019 financial year.

The results of the triennial funding valuation, as at 31 March 2016, showed the plan to be 90% funded on a continuing basis with a deficit of £33.8m. As part of the deficit recovery plan contributions of £1.5m were paid to the pension fund during the year (2017: £1.0m). The level of contributions will be reassessed next following the March 2019 triennial funding valuation.

FINANCIAL RISK MANAGEMENT

The Group has clearly defined policies for the management of foreign exchange risk. Exposures resulting from sales and purchases in foreign currency are matched where possible and net exposure may be hedged by the use of forward exchange contracts. The Group does not undertake foreign exchange transactions for which there is no underlying exposure.

Credit and counterparty risk are managed through the use of credit evaluations and credit limits. Cash deposits are made at prevailing interest rates which are not generally fixed for more than 1 or 2 months. Borrowings and overdrafts are at floating interest rates. The Group does not carry out any interest rate hedging.

CURRENCY EFFECT

The Group has translational exposure arising on the consolidation of overseas company results into Sterling. Based on the current mix of currency denominated profit, a one cent appreciation of the US Dollar increases revenue by approximately £0.9m and operating profit by approximately £0.2m. A one cent appreciation of the Euro increases revenue by approximately £0.1m and has nil impact on operating profit.

DIVIDENDS

The Board is recommending a final dividend of 10.68p per share (2017: 8.21p) which together with the 5.34p per share interim dividend gives a total dividend of 16.02p (2017: 12.32p), up 30% on last year. The final dividend will be paid on 15 March 2019 to shareholders on the register at 15 February 2019 with an ex-dividend date of 14 February 2019.

Our policy is to maintain a progressive dividend policy balancing dividend increases with the rates of adjusted earnings per share growth achieved, taking into account potential acquisition spend and the Group's financing position. Over recent years, we have grown the dividend per share by 30% per annum and we expect to continue to grow dividends ahead of earnings over the medium-term. Our policy is to maintain dividend cover (the ratio of dividend per share to adjusted earnings per share) above two times. This year dividend cover was 4.8 times (2017: 6.7 times). Once dividend cover has reduced to two times we intend to increase dividends in line with the growth in adjusted earnings per share.

Consolidated Statement of Comprehensive Income for the year ended 30 September 2018

		2018			2017		
	Note	**Adjusted £m**	**Adjustments[1] £m**	**Total £m**	Adjusted (restated)[2] £m	Adjustments[1] £m	Total (restated)[2] £m
Continuing operations							
Revenue	2	**165.5**	**-**	**165.5**	159.2	-	159.2
Cost of sales		**(99.9)**	**-**	**(99.9)**	(97.6)	-	(97.6)
Gross profit		**65.6**	**-**	**65.6**	61.6	-	61.6
Selling and distribution costs		**(20.3)**	**-**	**(20.3)**	(19.9)	-	(19.9)
General and administrative expenses		**(18.0)**	**(4.5)**	**(22.5)**	(15.6)	(6.0)	(21.6)
Operating profit	2	**27.3**	**(4.5)**	**22.8**	26.1	(6.0)	20.1
Operating profit is analysed as:							
Before depreciation and amortisation		**35.3**	**(1.4)**	**33.9**	35.7	(0.1)	35.6
Depreciation and amortisation		**(8.0)**	**(3.1)**	**(11.1)**	(9.6)	(5.9)	(15.5)
Operating profit		**27.3**	**(4.5)**	**22.8**	26.1	(6.0)	20.1
Interest income		**0.2**	**-**	**0.2**	0.1	-	0.1
Finance costs		**(0.2)**	**-**	**(0.2)**	(0.3)	-	(0.3)
Other finance expense		**(0.1)**	**(1.1)**	**(1.2)**	-	(1.0)	(1.0)
Profit before taxation		**27.2**	**(5.6)**	**21.6**	25.9	(7.0)	18.9
Taxation	5	**(3.7)**	**1.9**	**(1.8)**	(0.4)	3.3	2.9
Profit for the year from continuing operations		**23.5**	**(3.7)**	**19.8**	25.5	(3.7)	21.8
Discontinued operations - gain/(loss) for the year	3	**-**	**1.6**	**1.6**	-	(0.3)	(0.3)
Profit for the year		**23.5**	**(2.1)**	**21.4**	25.5	(4.0)	21.5

Consolidated Statement of Comprehensive Income for the year ended 30 September 2018 (Continued)

	Note	2018 Adjusted £m	2018 Adjustments[1] £m	2018 Total £m	2017 Adjusted (restated)[2] £m	2017 Adjustments[1] £m	2017 Total (restated)[2] £m
Other comprehensive income/(expense)							
Items that are not subsequently reclassified to the income statement							
Actuarial gain/(loss) recognised on retirement benefit scheme		**-**	**13.7**	**13.7**	-	(3.8)	(3.8)
Deferred tax relating to retirement benefit scheme	5	**-**	**(2.3)**	**(2.3)**	-	0.6	0.6
Items that may be subsequently reclassified to the income statement							
Net exchange differences offset in reserves		**1.3**	**-**	**1.3**	(2.3)	-	(2.3)
Cash flow hedges		**(0.6)**	**-**	**(0.6)**	1.1	-	1.1
Tax relating to exchange differences offset in reserves		**(0.3)**	**-**	**(0.3)**	0.2	-	0.2
Other comprehensive income/(expense) for the year, net of taxation		**0.4**	**11.4**	**11.8**	(1.0)	(3.2)	(4.2)
Total comprehensive income for the year		**23.9**	**9.3**	**33.2**	24.5	(7.2)	17.3
Earnings per share	4						
Basic		**77.1p**	**(7.0p)**	**70.1p**	83.8p	(13.2p)	70.6p
Diluted		**76.6p**	**(7.0p)**	**69.6p**	83.3p	(13.1p)	70.2p

[1] See note 3 for further details of adjustments.

[2] Restated to reflect the continuing operations of the Group following the sale of Avon Engineered Fabrications, Inc.

Consolidated Balance Sheet

	Note	2018 £m	2017 £m
Assets			
Non-current assets			
Intangible assets		**41.5**	40.4
Property, plant and equipment		**22.6**	26.3
Deferred tax assets	5	**8.2**	8.2
		72.3	74.9
Current assets			
Inventories		**23.0**	21.8
Trade and other receivables		**24.2**	23.8
Derivative financial instruments		**-**	0.2
Cash and cash equivalents	7	**46.6**	26.5
		93.8	72.3
Liabilities			
Current liabilities			
Borrowings		**0.1**	1.8
Trade and other payables		**34.5**	30.1
Derivative financial instruments		**0.4**	-
Provisions for liabilities and charges	10	**0.3**	0.3
Current tax liabilities		**6.1**	6.8
		41.4	39.0
Net current assets		**52.4**	33.3
Non-current liabilities			
Deferred tax liabilities	5	**6.9**	6.8
Retirement benefit obligations		**30.5**	44.1
Provisions for liabilities and charges	10	**2.5**	1.7
		39.9	52.6
Net assets		**84.8**	55.6
Shareholders' equity			
Ordinary shares	8	**31.0**	31.0
Share premium account	8	**34.7**	34.7
Capital redemption reserve		**0.5**	0.5
Translation reserve		**7.5**	6.5
Retained earnings/(deficit)		**11.1**	(17.1)
Total equity		**84.8**	55.6

Consolidated Cash Flow Statement

	Note	2018 £m	2017 (restated) £m
Cash flows from operating activities			
Cash flows from continuing operating activities before the impact of exceptional items	6	**38.2**	35.0
Cash impact of exceptional items		**(0.1)**	0.3
Cash flows from continuing operations	6	**38.1**	35.3
Cash flows from/(used in) discontinued operations		**(0.2)**	0.3
Cash flows from operations	6	**37.9**	35.6
Interest income received		**0.2**	0.1
Finance costs paid		**(0.2)**	(0.2)
Retirement benefit deficit recovery contributions		**(1.5)**	(1.0)
Tax paid		**(5.0)**	(2.0)
Net cash flows from operating activities		**31.4**	32.5
Cash flows used in investing activities			
Proceeds from disposal of discontinued operations		**6.5**	-
Purchase of property, plant and equipment		**(3.3)**	(2.6)
Capitalised development costs and purchased software		**(5.6)**	(2.9)
Acquisition	11	**(1.4)**	-
Net cash used in investing activities		**(3.8)**	(5.5)
Cash flows used in financing activities			
Net movements in loans		**(1.7)**	(0.8)
Dividends paid to shareholders	9	**(4.1)**	(3.2)
Purchase of own shares	8	**(1.1)**	(1.0)
Net cash used in financing activities		**(6.9)**	(5.0)
Net increase in cash, cash equivalents and bank overdrafts		**20.7**	22.0
Cash, cash equivalents, and bank overdrafts at beginning of the year		**26.5**	4.5
Effects of exchange rate changes		**(0.6)**	-
Cash, cash equivalents, and bank overdrafts at end of the year	7	**46.6**	26.5

Consolidated Statement in Changes in Equity

	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings/ (deficit) £m	Total equity £m
At 30 September 2016		31.0	34.7	9.1	(32.8)	42.0
Profit for the year		-	-	-	21.5	21.5
Net exchange differences offset in reserves		-	-	(2.3)	-	(2.3)
Tax relating to exchange differences offset in reserves		-	-	0.2	-	0.2
Cash flow hedges		-	-	-	1.1	1.1
Actuarial loss recognised on retirement benefit scheme		-	-	-	(3.8)	(3.8)
Deferred tax relating to retirement benefit scheme		-	-	-	0.6	0.6
Total comprehensive income for the year		-	-	(2.1)	19.4	17.3
Dividends paid		-	-	-	(3.2)	(3.2)
Own shares acquired		-	-	-	(1.0)	(1.0)
Fair value of share based payments		-	-	-	0.9	0.9
Deferred tax relating to employee share schemes		-	-	-	(0.4)	(0.4)
At 30 September 2017		31.0	34.7	7.0	(17.1)	55.6
Profit for the year		**-**	**-**	**-**	**21.4**	**21.4**
Net exchange differences offset in reserves		**-**	**-**	**1.3**	**-**	**1.3**
Tax relating to exchange differences offset in reserves		**-**	**-**	**(0.3)**	**-**	**(0.3)**
Cash flow hedges		**-**	**-**	**-**	**(0.6)**	**(0.6)**
Actuarial gain recognised on retirement benefit scheme		**-**	**-**	**-**	**13.7**	**13.7**
Deferred tax relating to retirement benefit scheme	5	**-**	**-**	**-**	**(2.3)**	**(2.3)**
Total comprehensive income for the year		**-**	**-**	**1.0**	**32.2**	**33.2**
Dividends paid	9	**-**	**-**	**-**	**(4.1)**	**(4.1)**
Own shares acquired	8	**-**	**-**	**-**	**(1.1)**	**(1.2)**
Fair value of share based payments		**-**	**-**	**-**	**1.2**	**1.2**
Deferred tax relating to employee share schemes	7	**-**	**-**	**-**	**-**	**-**
At 30 September 2018		**31.0**	**34.7**	**8.0**	**11.1**	**84.8**

Other reserves consist of the capital redemption reserve of £0.5m (2017: £0.5m) and the translation reserve of £7.5m (2017: £6.5m).

All movements in other reserves relate to the translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation

The financial information set out in this document does not constitute the Group's statutory accounts for the year ended 30 September 2018 or 30 September 2017. Statutory accounts for the year ended 30 September 2017 were approved by the Board of Directors on 15 November 2017 and delivered to the Registrar of Companies. The report of the auditors on those 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. Statutory accounts for the year ended 30 September 2018 have not yet been delivered to the Registrar nor have the auditors yet reported on them.

This financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRS) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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.

Recent accounting developments

At the balance sheet date there are a number of new standards, and amendments to existing standards in issue, but not yet effective. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

- IFRS 15 Revenue from Contracts with Customers - applicable from year ending 30 September 2019

IFRS 15 provides a comprehensive framework for recognizing revenue from contracts with customers, replacing IAS 18 Revenue. The new standard is more detailed and prescriptive than existing guidance, in particular it requires that different performance obligations in a contract should be unbundled and revenue is recognized when control of the asset is passed to the customer.

It is not expected that the transition to the new revenue standard will have a significant impact on revenue recognition.

- IFRS 9 Financial Instruments - applicable from year ending 30 September 2019

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. It sets out the rules for valuing financial instruments and method for adopting hedge accounting.

It is not expected that the transition will have any significant impact on the carrying value of the following assets and liabilities within the consolidated financial statements of the Avon Group:

- Trade receivables
- Forward exchange contracts
- Trade payables
- Loans

The Group believes that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9.

- IFRS 16 Leases - applicable from year ending 30 September 2020

The International Accounting Standards Board issued the new lease standard, IFRS 16, to replace the existing lease standard (IAS 17).

The underlying principle of IFRS 16 is that all leased assets should be reported on the balance sheet of the lessee, although exemptions are available for leases of less than 12 months or where the underlying asset has a low value when new.

Under IFRS 16, a lessee will be required to recognize an asset for the right to use the leased item and a liability for the present value of its future lease payments for all leases currently treated as operating leases.

The change in treatment will impact the balance sheet, the income statement and related performance measures.

An initial assessment of the impact of IFRS 16 has been carried out and a number of leases currently in operation within the Group will fall under the scope of IFRS 16.

The Group continues to assess the full impact of IFRS 16, which will depend on the transition approach adopted and the lease contracts in effect at the time of adoption. It is therefore not yet practicable to provide a reliable estimate of the financial impact on the Group's consolidated results.

The Directors plan to adopt these standards in line with their effective dates.

Segment Reporting

The Group Executive team is responsible for allocating resources and assessing performance of the operating segments. Operating segments are therefore reported in a manner consistent with the internal reporting provided to the Group Executive team. The Group has two clearly defined business segments, Avon Protection and milkrite | InterPuls, and operates primarily out of Europe and the US.

2. Operating segments

Year ended 30 September 2018

	Avon Protection £m	milkrite | InterPuls £m	Unallocated £m	Group £m
Revenue	**115.7**	**49.8**	**-**	**165.5**
Earnings before interest, taxation, depreciation and amortisation	**26.6**	**10.9**	**(2.2)**	**35.3**
Depreciation of property, plant and equipment	**(2.5)**	**(2.4)**	**-**	**(4.9)**
Amortisation of development costs and software	**(2.6)**	**(0.5)**	**-**	**(3.1)**
Operating profit before adjustments	**21.5**	**8.0**	**(2.2)**	**27.3**
Amortisation of acquired intangibles	**(1.1)**	**(2.0)**	**-**	**(3.1)**
Restructuring costs	**(0.9)**	**-**	**-**	**(0.9)**
Defined benefit pension scheme costs	**-**	**-**	**(0.5)**	**(0.5)**
Operating profit	**19.5**	**6.0**	**(2.7)**	**22.8**
Interest income				**0.2**
Finance costs				**(0.2)**
Other finance expense				**(1.2)**
Profit before taxation				**21.6**
Taxation				**(1.8)**
Profit for the year from continuing operations				**19.8**
Discontinued operations - profit for the year				**1.6**
Profit for the year				**21.4**
Segment assets	**57.4**	**49.5**	**59.2**	**166.1**
Segment liabilities	**18.0**	**13.8**	**49.5**	**81.3**
Other segment items				
Capital expenditure				
- intangible assets	**5.1**	**0.5**	**-**	**5.6**
- property, plant and equipment	**1.7**	**1.8**	**-**	**3.5**

The Avon Protection segment includes £52.7m (2017: £50.5m) of revenues from the US DOD, the only customer which individually contributes more than 10% to Group revenues.

Year ended 30 September 2017

	Avon Protection (restated) £m	milkrite | InterPuls £m	Unallocated £m	Group (restated) £m
Revenue	109.8	49.4	-	159.2
Earnings before interest, taxation, depreciation and amortisation	26.8	10.9	(2.0)	35.7
Depreciation of property, plant and equipment	(3.4)	(2.3)	-	(5.7)
Amortisation of development costs and software	(3.3)	(0.6)	-	(3.9)
Operating profit before adjustments	20.1	8.0	(2.0)	26.1
Amortisation of acquired intangibles	(1.0)	(2.0)	-	(3.0)
Exceptional items	(2.9)	0.3	-	(2.6)
Defined benefit pension scheme costs	-	-	(0.4)	(0.4)
Operating profit	16.2	6.3	(2.4)	20.1
Interest income				0.1
Finance costs				(0.3)
Other finance expense				(1.0)
Profit before taxation				18.9
Taxation				2.9
Profit for the year from continuing operations				21.8
Discontinued operations - loss for the year				(0.3)
Profit for the year				21.5
Segment assets	62.3	50.2	34.7	147.2
Segment liabilities	15.6	15.3	60.7	91.6
Other segment items				
Capital expenditure				
- intangible assets	2.2	0.7	-	2.9
- property, plant and equipment	1.1	1.5	-	2.6

Geographical segments by origin

Year ended 30 September 2018

	Europe	**US**	**RoW**	**Total**
	£m	**£m**	**£m**	**£m**
Revenue	**41.2**	**120.4**	**3.9**	**165.5**
Non-current assets	**45.6**	**26.4**	**0.3**	**72.3**

Year ended 30 September 2017

	Europe	US	RoW	Total
	£m	£m	£m	£m
Revenue	36.8	119.0	3.4	159.2
Non-current assets	46.7	27.8	0.4	74.9

3. Adjustments and discontinued operations

Adjustments

This document contains certain financial measures that are not defined or recognised under IFRS including adjusted operating profit, adjusted profit for the year and adjusted earnings per share. The Directors believe that adjusted measures provide a more useful comparison of business trends and performance. These adjusted measures exclude the effect of exceptional items, defined benefit scheme pension costs, the amortisation of acquired intangible assets and discontinued operations. The Group uses these measures for planning, budgeting and reporting purposes and for its internal assessment of the operational performance of individual businesses within the Group. Given the term adjusted is not defined under IFRS, the adjusted measures may not be comparable with similarly titled measures used by other companies.

The following tables show the adjustments made to arrive at adjusted operating profit and adjusted profit for the year.

	2018 £m	2017 (restated) £m
Operating profit	**22.8**	20.1
Amortisation of acquired intangibles	**3.1**	3.0
Restructuring costs	**0.9**	-
Defined benefit pension administration costs	**0.5**	0.4
Exceptional impairment of capitalised development expenditure	**-**	2.6
Exceptional impairment of plant and machinery	**-**	0.3
Post-acquisition working capital adjustment	**-**	(0.3)
Adjusted operating profit	**27.3**	26.1

	2018 £m	2017 (restated) £m
Profit for the year	**21.4**	21.5
Amortisation of acquired intangibles	**3.1**	3.0
Restructuring costs	**0.9**	-
Defined benefit pension administration costs	**0.5**	0.4
Exceptional impairment of capitalised development expenditure	**-**	2.6
Exceptional impairment of plant and machinery	**-**	0.3
Post-acquisition working capital adjustment	**-**	(0.3)
Defined benefit pension net interest cost	**1.1**	1.0
Tax on exceptional items	**(1.9)**	(3.3)
(Profit)/loss from discontinued operations	**(1.6)**	0.3
Adjusted profit for the year	**23.5**	25.5

The restructuring costs in 2018 represent an exceptional charge in respect of the relocation of the West Palm Beach assembly facility.

The impairment of capitalised development expenditure and plant and machinery in 2017 represents the write-off of costs of developing the Emergency Escape Breathing Device (EEBD) product. Further development of this product was terminated as there were limited commercial opportunities for this technology.

Defined benefit pension scheme costs relate to administrative expenses of the scheme which is closed to future accrual.

The impact on the cash flow statement of the exceptional items was £0.1m (2017: £0.3m).

Discontinued operations

In March 2018, the Group disposed of Avon Engineered Fabrications, Inc. its US based hovercraft skirt and bulk liquid storage tank business. This non-core business was included in the Avon Protection segment. The business has been classified as discontinued and prior years have been restated to reflect this. The results of discontinued operations are as follows:

	2018 £m	2017 £m
Revenue	**4.9**	4.0
Total cost of sales, selling and distribution costs and general administrative expenses	**(4.2)**	(4.3)
Profit before taxation	**0.7**	(0.3)
Taxation	**(0.2)**	-
Profit/(loss) for the period	**0.5**	(0.3)
Gain on disposal	**1.4**	-
Tax on gain on disposal	**(0.3)**	-
Profit/(loss) from discontinued operations	**1.6**	(0.3)
Basic earnings/(loss) per share	**5.2p**	(0.1p)
Diluted earnings/(loss) per share	**5.2p**	(0.1p)

Cash flows from discontinued operations included in the cash flow statement are as follows:

	2018 £m	2017 £m
Net cash flows (used in)/from operating activities	**(0.2)**	0.3
Net cash flows from investing activities	**6.5**	-
Net cash flows from discontinued operations	**6.3**	0.3

4. Earnings per share

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

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

Weighted average number of shares

	2018	2017
Weighted average number of ordinary shares in issue used in basic calculations (thousands)	**30,511**	30,434
Potentially dilutive shares (weighted average) (thousands)	**218**	186
Fully diluted number of ordinary shares (weighted average) (thousands)	**30,729**	30,620

Earnings

	2018 £m	2017 (restated) £m
Basic	**21.4**	21.5
Basic – continuing operations	**19.8**	21.8
Diluted	**23.5**	25.5
Diluted – continuing operations	**23.5**	25.5

Earnings per share (pence)

	2018 £m	2017 (restated) £m
Basic	**70.1**	70.6
Basic – continuing operations	**64.9**	71.6
Diluted	**69.6**	70.2
Diluted – continuing operations	**64.4**	71.2
Adjusted	**77.1**	83.8
Adjusted – continuing operations	**77.1**	83.8
Adjusted diluted	**76.6**	83.3
Adjusted diluted – continuing operations	**76.6**	83.3

5. Taxation

	2018 £m	2017 £m
UK current tax	**1.1**	2.2
UK adjustment in respect of previous periods	**-**	(0.3)
Overseas current tax	**4.1**	1.5
Overseas adjustment in respect of previous periods	**(1.2)**	(2.6)
Total current tax charge	**4.0**	0.8
Deferred tax - current year	**(1.5)**	0.6
Deferred tax - adjustment in respect of previous periods	**(0.7)**	(4.3)
Total deferred tax credit	**(2.2)**	(3.7)
Total tax charge/(credit)	**1.8**	(2.9)

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the standard UK tax rate applicable to profits of the consolidated entities as follows:

	2018 £m	2017 (restated) £m
Profit before taxation	**21.6**	18.9
Profit before taxation at the average standard rate of 19.0% (2017: 19.5%)	**4.1**	3.7
Permanent differences	**(1.4)**	(0.1)
Differences in overseas tax rates	**1.0**	0.7
Adjustment in respect of previous periods	**(1.9)**	(7.2)
Tax charge/(credit)	**1.8**	(2.9)

The income tax charged directly to equity during the year was £0.3m (2017: £0.2m credit).

The deferred tax charged directly to equity during the year was £2.3m (2017: £0.2m).

Deferred tax liabilities

	Accelerated capital allowances £m	Other temporary differences £m	Total £m
At 1 October 2016	2.5	7.5	10.0
Charged against profit for the year	(0.7)	(2.8)	(3.5)
Exchange differences	0.1	0.2	0.3
At 30 September 2017	1.9	4.9	6.8
(Charged)/credited to profit for the year	**(0.6)**	**0.7**	**0.1**
At 30 September 2018	**1.3**	**5.6**	**6.9**

Deferred tax assets have been recognised in respect of temporary differences giving rise to deferred tax assets where it is probable that these assets will be recovered.

Deferred tax assets

	Retirement benefit obligation £m	Share options £m	Accelerated capital allowances £m	Other temporary differences £m	Total £m
At 30 September 2016	6.8	0.6	0.4	-	7.8
Credited/(charged) to profit for the year	0.1	0.2	(0.1)	-	0.2
Credited/(charged) to equity on recognition	0.6	(0.4)	-	-	0.2
At 30 September 2017	7.5	0.4	0.3	-	8.2
Credited/(charged) against profit for the year	**-**	**0.2**	**-**	**2.1**	**2.3**
Charged to equity	**(2.3)**	**-**	**-**	**-**	**(2.3)**
At 30 September 2018	**5.2**	**0.6**	**0.3**	**2.1**	**8.2**

The standard rate of corporation tax in the UK is 19%.

A number of changes to the UK corporation tax system were announced in the March 2016 Budget Statement, which reduce the main rate of corporation tax to 17% by 1 April 2020. These changes were substantively enacted at the balance sheet date.

The Group has no unrecognised deferred tax assets (2017: £0.7m).

6. Cash and cash equivalents

The Group generates cash from its operating activities as follows:

	2018 £m	2017 (restated) £m
Continuing operations		
Profit for the year	**19.8**	21.8
Adjustments for:		
Taxation	**1.8**	(2.9)
Depreciation	**4.9**	5.7
Amortisation of intangible assets	**6.2**	6.9
Impairment of intangible assets	**-**	2.9
Defined benefit pension scheme cost	**0.5**	0.4
Interest income	**(0.2)**	(0.1)
Finance costs	**0.2**	0.3
Other finance expense	**1.2**	1.0
Loss on disposal of property, plant and equipment	**0.1**	-
Movement in respect of employee share scheme	**1.2**	0.9
Increase in inventories	**(2.1)**	(1.7)
Increase in receivables	**(1.8)**	(4.7)
Increase in payables and provisions	**6.3**	4.8
Cash flows from continuing operations	**38.1**	35.3
Analysed as:		
Cash flows from continuing operations prior to the effect of exceptional operating items	**38.2**	35.0
Cash effect of exceptional operating items	**(0.1)**	0.3
Discontinued operations		
Profit/(loss) for the year	**1.6**	(0.3)
Gain on disposal and net effect of operating activities	**(1.8)**	0.6
Cash (used in)/from in discontinued operations	**(0.2)**	0.3
Cash flows from operations	**37.9**	35.6

7. Analysis of net cash/(debt)

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

	2017 £m	Cash flow £m	Exchange movements £m	**2018 £m**
Cash at bank and in hand	26.5	20.7	(0.6)	**46.6**
Debt due in less than 1 year	(1.8)	1.7	-	**(0.1)**
Net cash	24.7	22.4	(0.6)	**46.5**

8. Equity

Share capital

	No. of shares 2018	**Ordinary shares 2018 £m**	**Share premium 2018 £m**	No. of shares 2017	Ordinary shares 2017 £m	Share premium 2017 £m
Called up allotted and fully paid ordinary shares of £1 each						
At the beginning of the year	**31,023,292**	**31.0**	**34.7**	31,023,292	31.0	34.7
At the end of the year	**31,023,292**	**31.0**	**34.7**	31,023,292	31.0	34.7

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

At 30 September 2018, 499,264 (2017: 565,803) ordinary shares were held by a trust in respect of obligations under the 2010 Performance Share Plan. Dividends on these shares have been waived. The market value of the shares held in the trust at 30 September 2018 was £6.4m (2017: £5.3m). These shares are held at cost as treasury shares and deducted from shareholders' equity.

During 2018 the trust acquired 100,000 (2017: 100,000) shares at a cost of £1.1m (2017: £1.0m).

154,641 (2017: 247,099) shares were used to satisfy awards following the vesting of shares relating to the 2010 Performance Share Plan.

3,031 (2017: 5,887) ordinary shares of £1 each were awarded in relation to the annual incentive plan.

9. Dividends

On 1 February 2018, the shareholders approved a final dividend of 8.21p per qualifying ordinary share in respect of the year ended 30 September 2017. This was paid on 16 March 2018 utilising £2.5m of shareholders' funds.

The Board of Directors declared an interim dividend of 5.34p (2017: 4.11p) per qualifying ordinary share in respect of the year ended 30 September 2018. This was paid on 7 September 2018 utilising £1.6m (2017: £1.3m) of shareholders' funds.

After the balance sheet date, the Board of Directors proposed a final dividend of 10.68p per qualifying ordinary share in respect of the year ended 30 September 2018, which will utilise an estimated £3.3m of shareholders' funds. Subject to shareholder approval, the dividend will be paid on 15 March 2019 to shareholders on the register at the close of business on 15 February 2019. In accordance with accounting standards, this dividend has not been provided for and there are no corporation tax consequences.

10. Provisions for liabilities and charges

	Property Obligations £m
Balance at 30 September 2016	2.5
Payments in the year	(0.5)
Balance at 30 September 2017	2.0
Reclassification from other payables	**1.5**
Provision utilised	**(0.4)**
Payments in the year	**(0.3)**
Balance at 30 September 2018	**2.8**

Analysis of total provisions	**2018 £m**	2017 £m
Non-current	**2.5**	1.7
Current	**0.3**	0.3
	2.8	2.0

Property obligations include an onerous lease provision of £0.9m in respect of unutilised space at the Group's leased Melksham facility in the UK. £0.3m of this provision is expected to be utilised in 2019 and the remaining £0.6m over the following two years. Other property obligations relate to leased premises of the Group which are subject to dilapidation risks and are expected to be utilised within the next ten years. Property provisions are subject to uncertainty in respect of the utilisation, non-utilisation, subletting of surplus leasehold property and any negotiated settlement of any dilapidation claims with landlords.

11. Acquisition and disposals

Disposal - Avon Engineered Fabrications

In March 2018, the Group disposed of Avon Engineered Fabrications, Inc.

	£m
Total consideration received	**7.1**
Net assets disposed	**(5.1)**
Disposal cost	**(0.6)**
Gain on disposal	**1.4**

Assets and liabilities at the date of disposal were:

	£m
Intangible assets	**0.1**
Property, plant and equipment	**2.4**
Inventories	**1.2**
Receivables	**2.0**
Payables	**(0.6)**
Total net assets disposed	**5.1**

Acquisition - Merricks Inc. calf nurser product line

In June 2018, the Group acquired the assets relating to Merrick's Inc calf nurser product line. The consideration was $1.8m in cash and associated costs of acquisition were $0.3m, giving a total cost of acquisition of $2.1m. The acquisition involved the purchase of both tangible assets - tooling equipment, and intangible assets comprising Customer Lists, Order Book and the Merrick's brand.

	£m
Intangible assets	**1.2**
Tangible assets	**0.4**
Total net assets acquired	**1.6**

12. Post balance sheet event

On October 26, 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that pension schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. We are working with our actuarial advisers, to understand the extent to which the judgment crystallises any additional liabilities for the Group UK defined benefit pension scheme. We are early in the evaluation process, but we estimate that the additional liability could be in the region of £3.0m. Subsequent to further assessment with our advisors, any necessary adjustment is expected to be recognised in the first half of our 2019 financial year.

13. Exchange rates

The following significant exchange rates applied during the year:

	Average rate 2018	**Closing rate 2018**	Average rate 2017	Closing rate 2017
US Dollar	**1.346**	**1.305**	1.267	1.339
Euro	**1.132**	**1.127**	1.147	1.134

14. Annual Report & Accounts

Copies of the Directors' report and the audited financial statements for the year ended 30 September 2018 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.