AVON RUBBER P.L.C.
UNAUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

Avon Rubber p.l.c.

A TRANSFORMED OUTLOOK

Paul McDonald, Chief Executive Officer:

"2019 has been a transformational year for Avon Rubber. We have delivered strong results ahead of expectations, secured $340m of long-term contracts, announced the $91m acquisition of 3M's ballistic protection business, and continued to build our order book to provide excellent visibility for 2020.

These results reflect the success of our strategic focus on growing our presence in our core markets and investing further in our product portfolio to meet more of the requirements of our expanding customer base. In the last two years, we have built visibility and breadth within our contract portfolio, enabling us to deliver another record performance, and we enter the new year from a position of strength.

The acquisition of 3M's ballistic protection business will significantly bolster our personal protection offering and accelerate our long-term growth prospects. The transformation during the year leaves us well positioned to deliver further success in 2020 and beyond."

	30 Sept 2019	30 Sept 2018	% Increase Reported	**% Increase Constant Currency**
Orders received	**£181.9m**	£173.3m	5.0%	**1.4%**
Closing order book	**£40.4m**	£37.8m	6.9%	**(0.7%)**
Revenue	**£179.3m**	£165.5m	8.3%	**4.2%**
Adjusted[1] operating profit	**£31.3m**	£27.3m	14.7%	**10.4%**
Operating profit	**£14.4m**	£22.8m	(36.8%)	**(39.4%)**
Adjusted[1] profit before tax	**£31.4m**	£27.2m	15.4%	**11.2%**
Profit before tax	**£13.7m**	£21.6m	(36.6%)	**(39.2%)**
Adjusted[1] basic earnings per share[2]	**91.7p**	77.1p	18.9%	**14.1%**
Basic earnings per share[2]	**46.9p**	64.9p	(27.7%)	**(37.3%)**
Diluted basic earnings per share[2]	**46.5p**	64.4p	(27.8%)	**(37.3%)**
Dividend per share	**20.83p**	16.02p	30.0%	**30.0%**
Net cash	**£48.3m**	£46.5m		

Operational highlights

- $91m agreement to acquire 3M's ballistic protection business expected to complete during H120
- First deliveries under the $246m, 5-year M53A1 mask and powered air system contract with the U.S. Department of Defense ("U.S. DOD")
- First deliveries under the $93m, 5-year M69 aircrew mask contract with U.S. DOD
- U.K. General Service Respirator ("U.K. GSR") user acceptance testing passed
- Law Enforcement revenues impacted by the U.S. Government partial shutdown
- Strategic decision to exit the Self-Contained Breathing Apparatus ("SCBA") product line in the Fire market and focus on our core Military and Law Enforcement SCBA markets
- Improved farmer confidence reflected in milkrite | InterPuls order book growing ahead of revenue

Financial highlights at constant currency

- Strong financial delivery – revenue up 4.2%, adjusted[1] operating profit up 10.4% and adjusted[1] earnings per share up 14.1% - all ahead of expectations
- Operating profit and basic earnings per share impacted by exceptional items, up £12.4m, due to the Fire SCBA exit , one-off pension benefit equalisation, and acquisition costs

- Avon Protection revenue grew by 5.9% with Military revenue growing by 26.1%
- First deliveries of higher margin M53A1 mask systems and lower volumes of lower margin M50 systems, contributed to adjusted[1] EBITDA margin growing to 22.0%
- Adjusted[1] basic earnings per share up 14.1% to 91.7p, benefitting from a reduced tax rate of 10.8%
- Operating cash conversion from adjusted[1] EBITDA of 63.5%, impacted by the timing of the fulfilment of the $16.6m Rest of World mask contract, resulting in net cash of £48.3m up £1.8m
- Final dividend per share of 13.89p up 30%, resulting in full year total dividend of 20.83p, also up 30.0%

Outlook

- A strong opening order book of £40.4m provides confidence for 2020
- Full year of revenue and follow-on orders expected for M53A1 and M69 contracts
- M50 sustainment contract negotiations progressing with the U.S. DOD, award expected in 2020
- Strong pipeline of Rest of World opportunities with first orders and deliveries of U.K. GSR expected in early 2020
- Return to growth for Law Enforcement, with positive momentum entering 2020
- Stabilising dairy market conditions support improved farmer confidence and growth expectations for milkrite | InterPuls in 2020
- Acquisition of 3M's ballistic protection business expected to complete in the first half of 2020
- Post-acquisition expect to return to a net cash position by early 2021

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 2 to the half year financial statements.

[2] Earnings per share and adjusted earnings per share are presented on a continuing operations basis.

For further enquiries, please contact:

Avon Rubber p.l.c.

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MHP Communications

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Analyst meeting

An analyst meeting will be held at 9.00am this morning at the offices of MHP Communications, 6 Agar Street, London, WC2N 4HN. The analyst meeting will be webcast live on:

https://webcasting.brrmedia.co.uk/broadcast/5da5985034a3cf1389e7d7a5

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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 our website: www.avon-rubber.com.

CHIEF EXECUTIVE OFFICER'S REVIEW

I am delighted to report on a transformational year for Avon Rubber where we have delivered against all three elements of our growth strategy. The results reflect our ongoing initiatives to grow our core revenue and selected product development to create a business that is more sustainable for the future, with improving operating profits and cash flows.

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

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

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

STRATEGY

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

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

GROWING THE CORE

Avon Protection

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

Expanding our Military product portfolio and customer base

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

The M53A1 framework contract, which also covers additional Avon Protection products, including the ST54 self-contained breathing apparatus, has a maximum value of $246m and a minimum 5-year duration. This framework is accessible to a number of different and new customers within the U.S. DOD, including all four military service branches and other national and federal agencies. We received the first order under the contract earlier in the year, worth $20.2 million, which we have partially completed during the year and expect further orders during 2020.

The M69 sole source contract to supply the U.S. DOD with the M69 Joint Service Aircrew Mask for Strategic Aircraft, related accessories and engineering support, extends Avon Protection's portfolio reach into the aviation sector for the first time and has a maximum value of $93m and a minimum 5-year duration. As with the M53A1, we received the first order under the contract, worth $17.8m, earlier in the year and we also partially completed the first deliveries this year.

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

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

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

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

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

Growing our Law Enforcement business

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

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

Exiting the Fire SCBA market

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

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

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

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

milkrite | InterPuls

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

Maintaining our Interface leadership

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

Expanding Precision, Control & Intelligence (PCI) sales support

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

Growing the Farm Services lease ownership model

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

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

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

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

Continuous focus on operational efficiency

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

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

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

SELECTIVE PRODUCT DEVELOPMENT

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

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

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

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

VALUE ENHANCING ACQUISITIONS

Milestone acquisition of 3M's ballistic protection business

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

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

3M's ballistic protection business enhances the Group's research and development capability and supports further growth and an expected combined and integrated future product range. The acquisition ultimately places Avon Protection at the forefront of future evolution in CBRN and ballistic armour protection. In the short term however we will be focused on ensuring a successful and efficient integration of the business, including the realisation of identified financial synergies.

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

PEOPLE

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

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

OUTLOOK

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

Within Avon Protection, we expect to complete the acquisition of 3M's ballistic protection business in the first half of the financial year as we continue to make good progress with the regulatory clearance process. We expect to receive follow-on orders for the M69 aircrew masks and M53A1 mask and powered air system together with the 5-year sustainment contract for the M50 mask system during the financial year. We expect the revenue opportunities from a full year of delivery of the M69 and M53A1 mask systems to offset the impact of the anticipated reduction in M50 mask system sustainment volumes. We also expect to receive the first orders for the U.K. GSR and to make the first deliveries to the U.K. MOD together with the receipt of further orders for the MCM100 following the extensive trials in 2019. Alongside this, we expect a return to sustainable growth from the widening customer and product base in Law Enforcement in a more stable political environment. We will see a reduction in Fire revenues following our strategic review of our participation in the Fire SCBA market but the benefits of refocusing our resources will support growth and overall returns in Avon Protection.

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

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

OPERATIONAL REVIEW

AVON PROTECTION

Financial Performance

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

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

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

Adjusted operating profit grew very strongly to £26.2m (2018: £21.5m), whilst operating profit was down to £17.0m (2018: £19.5m) due to the impact from the one-off exit costs of £5.4m from the fire SCBA market.

Eliminating the benefit of currency movements, adjusted operating profit grew by 17.6% on a constant currency basis.

Military

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

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

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

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

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

Law Enforcement

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

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

Fire

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

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

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

OPERATIONAL REVIEW

MILKRITE | INTERPULS

Financial Performance

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

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

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

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

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

Interface

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

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

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

Precision, Control & Intelligence

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

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

Farm Services

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

FINANCIAL REVIEW

The Group has delivered a strong financial performance during the year with revenue and adjusted operating profit increasing at constant currency by 4.2% and 10.4% respectively. Given our US businesses constitute over 70% of the Group's revenue and profit, the weaker pound experienced across the year resulted in reported revenue increasing by 8.3% to £179.3m (2018: £165.5m) and reported adjusted operating profit increasing by 14.7% to £31.3m (2018: £27.3m) at actual currency.

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

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

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

Operational cash generation has been impacted by the timing of the shipment of the $16.6m Rest of World Military mask system contract which means we will receive payment in the first quarter of 2020. As a result, adjusted EBITDA cash conversion was lower than usual at 63.5% (2018: 108.2%). The operational cash performance and the costs incurred in the year in relation to the acquisition of 3M's ballistic protection business, resulted in a £1.8m increase in net cash during the year and a closing net cash balance of £48.3m (2018: £46.5m). This continuing strong cash position provides funding to enable the completion of the acquisition from 3M in the first half of 2020 and to support our organic growth strategy, investment in new product development and further value enhancing acquisitions.

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

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

Segmental Information

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

PROFIT FOR THE YEAR

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

Adjustments

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

Finance costs

Net interest income was £0.2m (2018: £nil). Other finance expenses of £0.9m (2018: £1.2m) primarily represents the 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 credit of £0.6m (2018: £1.8m charge) which consists of a £2.8m charge relating to the current year and a £3.4m credit in respect of previous periods. The £3.4m credit in respect of previous periods includes a £3.1m credit in connection with the release of provisions following the successful resolution of a number of prior year uncertain tax positions.

Profit from Discontinued Operations

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

NET CASH AND CASH FLOW

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

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

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

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

ACQUISITION OF 3M's BALLISTIC PROTECTION BUSINESS

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

RESEARCH AND DEVELOPMENT EXPENDITURE

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

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

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

ACCOUNTING STANDARDS CHANGES

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

The impact of the changes on the financial statements from that date are that £6.5m of leasehold assets and £10.2m of leasehold liabilities will be added to the balance sheet with the £3.7m net balancing figure reflected as an opening reserves adjustment. The changes also impact the presentation of the income statement as the current recognition of lease payments are moved to be included within finance costs. This will improve the Group's EBITDA margin by approximately £2m but with minimal impact on operating profit and earnings per share. There are no changes to the cash flow metrics as these are all non-cash presentational changes.

PENSIONS

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

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

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

FINANCIAL RISK MANAGEMENT

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

Credit and counterparty risk are managed through the use of credit evaluations and credit limits. Cash deposits are made at prevailing interest rates which are not generally fixed for more than 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 £1.1m and operating profit by approximately £0.2m. A one cent appreciation of the Euro increases revenue by approximately £0.1m and has nil impact on operating profit.

DIVIDENDS

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

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

Consolidated Statement of Comprehensive Income for the year ended 30 September 2019

		2019			2018		
	Note	**Adjusted £m**	**Adjustments[1] £m**	**Total £m**	Adjusted £m	Adjustments[1] £m	Total £m
Continuing operations							
Revenue	2	**179.3**	**-**	**179.3**	165.5	-	165.5
Cost of sales		**(106.8)**	**-**	**(106.8)**	(99.9)	-	(99.9)
Gross profit		**72.5**	**-**	**72.5**	65.6	-	65.6
Selling and distribution costs		**(20.4)**	**-**	**(20.4)**	(20.3)	-	(20.3)
General and administrative expenses		**(20.8)**	**(16.9)**	**(37.7)**	(18.0)	(4.5)	(22.5)
Operating profit	2	**31.3**	**(16.9)**	**14.4**	27.3	(4.5)	22.8
Operating profit is analysed as:							
Before depreciation, amortisation and impairment		**39.5**	**(8.5)**	**31.0**	35.3	(1.4)	33.9
Impairment		**-**	**(4.9)**	**(4.9)**	-	-	-
Depreciation and amortisation		**(8.2)**	**(3.5)**	**(11.7)**	(8.0)	(3.1)	(11.1)
Operating profit		**31.3**	**(16.9)**	**14.4**	27.3	(4.5)	22.8
Finance income		**0.4**	**-**	**0.4**	0.2	-	0.2
Finance costs		**(0.2)**	**-**	**(0.2)**	(0.2)	-	(0.2)
Other finance expense		**(0.1)**	**(0.8)**	**(0.9)**	(0.1)	(1.1)	(1.2)
Profit before taxation		**31.4**	**(17.7)**	**13.7**	27.2	(5.6)	21.6
Taxation	5	**(3.4)**	**4.0**	**0.6**	(3.7)	1.9	(1.8)
Profit for the year from continuing operations		**28.0**	**(13.7)**	**14.3**	23.5	(3.7)	19.8
Discontinued operations – gain for the year	3	**-**	**-**	**-**	-	1.6	1.6
Profit for the year		**28.0**	**(13.7)**	**14.3**	23.5	(2.1)	21.4

Consolidated Statement of Comprehensive Income for the year ended 30 September 2019 (Continued)

		2019			2018		
	Note	**Adjusted £m**	**Adjustments[1] £m**	**Total £m**	Adjusted £m	Adjustments[1] £m	Total £m
Other comprehensive income/(expense)							
Items that are not subsequently reclassified to the income statement							
Actuarial (loss)/gain recognised on retirement benefit scheme		**-**	**(9.2)**	**(9.2)**	-	13.7	13.7
Deferred tax relating to retirement benefit scheme	5	**-**	**1.5**	**1.5**	-	(2.3)	(2.3)
Items that may be subsequently reclassified to the income statement							
Net exchange differences offset in reserves		**2.3**	**-**	**2.3**	1.3	-	1.3
Tax relating to exchange differences offset in reserves		**(0.5)**	**-**	**(0.5)**	(0.3)	-	(0.3)
Cash flow hedges		**(0.9)**	**-**	**(0.9)**	(0.6)	-	(0.6)
Deferred tax relating to cash flow hedges		**0.2**	**-**	**0.2**	-	-	-
Other comprehensive income/(expense) for the year, net of taxation		**1.1**	**(7.7)**	**(6.6)**	0.4	11.4	11.8
Total comprehensive income for the year		**29.1**	**(21.4)**	**7.7**	23.9	9.3	33.2
Earnings per share	4						
Basic		**91.7p**	**(44.8p)**	**46.9p**	77.1p	(7.0p)	70.1p
Diluted		**90.9p**	**(44.4p)**	**46.5p**	76.6p	(7.0p)	69.6p

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

Consolidated Balance Sheet

	Note	2019 £m	2018 £m
Assets			
Non-current assets			
Intangible assets		**35.3**	41.5
Property, plant and equipment		**21.4**	22.6
Deferred tax assets	5	**12.5**	8.2
		69.2	72.3
Current assets			
Inventories		**20.7**	23.0
Trade and other receivables		**35.4**	24.2
Cash and cash equivalents	7	**48.4**	46.6
		104.5	93.8
Liabilities			
Current liabilities			
Borrowings		**0.1**	0.1
Trade and other payables		**31.1**	34.5
Derivative financial instruments		**1.3**	0.4
Provisions for liabilities and charges	10	**-**	0.3
Current tax liabilities		**4.1**	6.1
		36.6	41.4
Net current assets		**67.9**	52.4
Non-current liabilities			
Deferred tax liabilities	5	**5.4**	6.9
Retirement benefit obligations		**43.0**	30.5
Provisions for liabilities and charges	10	**2.3**	2.5
		50.7	39.9
Net assets		**86.4**	84.8
Shareholders' equity			
Ordinary shares	8	**31.0**	31.0
Share premium account	8	**34.7**	34.7
Other reserves		**9.8**	8.0
Retained earnings		**10.9**	11.1
Total equity		**86.4**	84.8

Consolidated Cash Flow Statement

	Note	2019 £m	2018 £m
Cash flows from operating activities			
Cash flows from continuing operating activities before the impact of exceptional items	6	**25.1**	38.2
Cash impact of exceptional items		**(1.9)**	(0.1)
Cash flows from continuing operations	6	**23.2**	38.1
Cash flows (used in) discontinued operations		**-**	(0.2)
Cash flows from operations	6	**23.2**	37.9
Interest income received		**0.4**	0.2
Finance costs paid		**(0.2)**	(0.2)
Retirement benefit deficit recovery contributions		**(1.5)**	(1.5)
Tax paid		**(6.1)**	(5.0)
Net cash flows from operating activities		**15.8**	31.4
Cash flows used in investing activities			
Proceeds from disposal of discontinued operations	11	**-**	6.5
Purchase of property, plant and equipment		**(3.9)**	(3.3)
Capitalised development costs and purchased software		**(4.0)**	(5.6)
Acquisition	11	**-**	(1.4)
Net cash used in investing activities		**(7.9)**	(3.8)
Cash flows used in financing activities			
Net movements in loans		**-**	(1.7)
Dividends paid to shareholders	9	**(5.4)**	(4.1)
Purchase of own shares	8	**(1.3)**	(1.1)
Net cash used in financing activities		**(6.7)**	(6.9)
Net increase in cash, cash equivalents and bank overdrafts		**1.2**	20.7
Cash, cash equivalents, and bank overdrafts at beginning of the year		**46.6**	26.5
Effects of exchange rate changes		**0.6**	(0.6)
Cash, cash equivalents, and bank overdrafts at end of the year	7	**48.4**	46.6

Consolidated Statement in Changes in Equity

	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 30 September 2017		31.0	34.7	7.0	(17.1)	55.6
Profit for the year		-	-	-	21.4	21.4
Net exchange differences offset in reserves		-	-	1.3	-	1.3
Tax relating to exchange differences offset in reserves		-	-	(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		-	-	-	(2.3)	(2.3)
Total comprehensive income for the year		-	-	1.0	32.2	33.2
Dividends paid		-	-	-	(4.1)	(4.1)
Own shares acquired		-	-	-	(1.1)	(1.1)
Fair value of share based payments		-	-	-	1.2	1.2
Deferred tax relating to employee share schemes		-	-	-	-	-
At 30 September 2018		31.0	34.7	8.0	11.1	84.8
Profit for the year		**-**	**-**	**-**	**14.3**	**14.3**
Net exchange differences offset in reserves		**-**	**-**	**2.3**	**-**	**2.3**
Tax relating to exchange differences offset in reserves		**-**	**-**	**(0.5)**	**-**	**(0.5)**
Cash flow hedges		**-**	**-**	**-**	**(0.9)**	**(0.9)**
Deferred tax relating to cash flow hedges		**-**	**-**	**-**	**0.2**	**0.2**
Actuarial loss recognised on retirement benefit scheme				**-**	**(9.2)**	**(9.2)**
Deferred tax relating to retirement benefit scheme	5	**-**	**-**	**-**	**1.5**	**1.5**
Total comprehensive income for the year		**-**	**-**	**1.8**	**5.9**	**7.7**
Dividends paid	9	**-**	**-**	**-**	**(5.4)**	**(5.4)**
Own shares acquired	8	**-**	**-**	**-**	**(1.3)**	**(1.3)**
Fair value of share based payments		**-**	**-**	**-**	**0.4**	**0.4**
Deferred tax relating to employee share schemes	5	**-**	**-**	**-**	**0.2**	**0.2**
At 30 September 2019		**31.0**	**34.7**	**9.8**	**10.9**	**86.4**

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

All movements in other reserves relate to the translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information and Basis of Preparation

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 2019 or 30 September 2018. Statutory accounts for the year ended 30 September 2018 were approved by the Board of Directors on 14 November 2018 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 2019 have not yet been delivered to the Registrar nor have the auditors yet reported on them. The expectation is that the report of the auditors on these accounts will be unqualified.

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

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers both became applicable for the Group from 1 October 2018.

- IFRS 15 Revenue from Contracts with Customers

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

The Group's accounting policy in relation to revenue recognition has been updated to reflect the new standard.

- IFRS 9 Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 U.S.

2. Operating segments

Year ended 30 September 2019

	Avon Protection £m	milkrite | InterPuls £m	Unallocated £m	Group £m
Revenue	**128.4**	**50.9**	**-**	**179.3**
Operating profit before depreciation, amortisation and adjustments	**31.4**	**10.5**	**(2.4)**	**39.5**
Depreciation of property, plant and equipment	**(2.0)**	**(2.4)**	**-**	**(4.4)**
Amortisation of development costs and software	**(3.2)**	**(0.6)**	**-**	**(3.8)**
Operating profit before adjustments	**26.2**	**7.5**	**(2.4)**	**31.3**
Amortisation of acquired intangibles	**(0.9)**	**(2.6)**	**-**	**(3.5)**
Exceptional impairment	**(3.8)**	**(1.1)**	**-**	**(4.9)**
Other exceptional items	**(4.5)**	**-**	**-**	**(4.5)**
Defined benefit pension scheme costs	**-**	**-**	**(4.0)**	**(4.0)**
Operating profit	**17.0**	**3.8**	**(6.4)**	**14.4**
Finance income				**0.4**
Finance costs				**(0.2)**
Other finance expense				**(0.9)**
Profit before taxation				**13.7**
Taxation				**0.6**
Profit for the year				**14.3**
Segment assets	**79.2**	**46.7**	**47.8**	**173.7**
Segment liabilities	**26.6**	**10.2**	**50.5**	**87.3**
Other segment items				
Capital expenditure				
- intangible assets	**3.3**	**0.5**	**-**	**3.8**
- property, plant and equipment	**2.2**	**1.7**	**-**	**3.9**

The Avon Protection segment includes £54.8m (2018: £52.7m) of revenues from the U.S. DOD, the only customer which individually contributes more than 10% to Group revenues.

Year ended 30 September 2018

	Avon Protection £m	milkrite | InterPuls £m	Unallocated £m	Group £m
Revenue	115.7	49.8	-	165.5
Operating profit before depreciation, amortisation and adjustments	26.6	10.9	(2.2)	35.3
Depreciation of property, plant and equipment	(2.5)	(2.4)	-	(4.9)
Amortisation of development costs and software	(2.6)	(0.5)	-	(3.1)
Operating profit before adjustments	21.5	8.0	(2.2)	27.3
Amortisation of acquired intangibles	(1.1)	(2.0)	-	(3.1)
Exceptional items	(0.9)	-	-	(0.9)
Defined benefit pension scheme costs	-	-	(0.5)	(0.5)
Operating profit	19.5	6.0	(2.7)	22.8
Finance income				0.2
Finance costs				(0.2)
Other finance expense				(1.2)
Profit before taxation				21.6
Taxation				(1.8)
Profit for the year from continuing operations				19.8
Discontinued operations - loss for the year				1.6
Profit for the year				21.4

Segment assets	57.4	49.5	59.2	166.1
Segment liabilities	18.0	13.8	49.5	81.3
Other segment items				
Capital expenditure				
- intangible assets	5.1	0.5	-	5.6
- property, plant and equipment	1.7	1.8	-	3.5

Revenue analysed by geographic origin

Year ended 30 September 2019

	Europe £m	**U.S. £m**	**RoW £m**	**Total £m**
Revenue	**38.3**	**136.6**	**4.4**	**179.3**

Year ended 30 September 2018

	Europe £m	U.S. £m	RoW £m	Total £m
Revenue	41.2	120.4	3.9	165.5

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.

	2019 £m	2018 £m
Operating profit	**14.4**	22.8
Amortisation of acquired intangibles	**3.5**	3.1
Defined benefit pension administration costs	**0.5**	0.5
Exceptional items:		
Restructuring costs	**-**	0.9
Defined benefit scheme past service costs	**3.5**	-
Acquisition costs	**2.9**	-
Exit costs re: Fire SCBA market exit	**5.4**	-
Property impairment	**1.1**	-
Adjusted operating profit	**31.3**	27.3

	2019 £m	2018 £m
Profit for the year	**14.3**	21.4
Amortisation of acquired intangibles	**3.5**	3.1
Defined benefit pension administration costs	**0.5**	0.5
Defined benefit pension net interest cost	**0.8**	1.1
Exceptional items:		
Restructuring costs	**-**	0.9
Defined benefit scheme past service costs	**3.5**	-
Acquisition costs	**2.9**	-
Exit costs re: Fire SCBA market exit	**5.4**	-
Property impairment	**1.1**	-
Tax on exceptional items	**(4.0)**	(1.9)
(Profit)/loss from discontinued operations	**-**	(1.6)
Adjusted profit for the year	**28.0**	23.5

On October 26 2018 the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit schemes. The judgement concluded that pension scheme benefits should be amended to equalise guaranteed minimum pension benefits for men and women ("GMP equalisation"). Our actuarial advisors have calculated the additional liability for this amendment at £2.9m and this has been included as an adjustment during the period along with a further £0.6m adjustment in relation to other past service costs of the defined benefit scheme.

The signing of an agreement to acquire 3M's ballistic protection business and the rights to the Ceradyne brand was announced on 6 August 2019 and is expected to close during FY20. £2.8m of acquisition related costs have been expensed during the period in relation to this agreement including legal, due diligence and tax advisory fees. A further £0.1m of costs have been expensed in relation to other acquisition opportunities that are no longer being pursued.

At the year end the decision was taken to move away from our participation in the Fire self contained breathing apparatus market, resulting in one off exit costs of £5.4m being recognised in the year. The exit costs include development cost impairment £3.8m, inventory write downs £1.4m and receivables write offs £0.2m.

The restructuring and alignment of the milkrite | InterPuls European distribution business during 2019 created a vacant property at our Italian operation. Changes in the local economy, as highlighted by a subsequent valuation of the site, mean that it was appropriate to write the carrying value of this property down by £1.1m.

The restructuring costs in 2018 represent the relocation of the West Palm Beach, Florida assembly facility to our Cadillac, Michigan facility.

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

The impact on the cash flow statement of the exceptional items was £1.9m (2018: £0.1m).

Discontinued operations

In March 2018, the Group disposed of Avon Engineered Fabrications, Inc. its U.S. based hovercraft skirt and bulk liquid storage tank business. This non-core business was included in 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
Revenue	4.9
Total cost of sales, selling and distribution costs and general administrative expenses	(4.2)
Profit before taxation	0.7
Taxation	(0.2)
Profit for the period	0.5
Gain on disposal	1.4
Tax on gain on disposal	(0.3)
Profit from discontinued operations	1.6
Basic earnings per share	5.2p
Diluted earnings per share	5.2p

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

	2018 £m
Net cash flows (used in) operating activities	(0.2)
Net cash flows from investing activities	6.5
Net cash flows from discontinued operations	6.3

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

	2019	2018
Weighted average number of ordinary shares in issue used in basic calculations (thousands)	**30,516**	30,511
Potentially dilutive shares (weighted average) (thousands)	**260**	218
Fully diluted number of ordinary shares (weighted average) (thousands)	**30,776**	30,729

Earnings

	2019	2018
Basic	**14.3**	21.4
Basic – continuing operations	**14.3**	19.8
Adjusted	**28.0**	23.5
Adjusted – continuing operations	**28.0**	23.5

Earnings per share (pence)

	2019	2018
Basic	**46.9**	70.1
Basic – continuing operations	**46.9**	64.9
Diluted	**46.5**	69.6
Diluted – continuing operations	**46.5**	64.4
Adjusted	**91.7**	77.1
Adjusted – continuing operations	**91.7**	77.1
Adjusted diluted	**90.9**	76.6
Adjusted diluted – continuing operations	**90.9**	76.6

5. Taxation

	2019 £m	2018 £m
U.K. current tax	**0.4**	1.1
U.K. adjustment in respect of previous periods	**0.1**	-
Overseas current tax	**6.4**	4.1
Overseas adjustment in respect of previous periods	**(3.4)**	(1.2)
Total current tax charge	**3.5**	4.0
Deferred tax - current year	**(4.0)**	(1.5)
Deferred tax - adjustment in respect of previous periods	**(0.1)**	(0.7)
Total deferred tax credit	**(4.1)**	(2.2)
Total tax (credit)/charge	**(0.6)**	1.8

The overseas adjustment in respect of the prior period of £3.4m includes a £3.1m credit in connection with the resolution of a number of prior year uncertain tax provisions.

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

	2019 £m	2018 £m
Profit before taxation	**13.7**	21.6
Profit before taxation at the average standard rate of 19.0% (2018: 19.0%)	**2.6**	4.1
Tax allowances (U.K. and U.S.)	**(0.4)**	(0.5)
Non deductible expenses	**0.2**	-
Unrecognised tax losses	**0.2**	-
Changes in overseas tax rates during the year	**-**	(0.9)
Differences in overseas tax rates	**0.2**	1.0
Adjustment in respect of previous periods	**(3.4)**	(1.9)
Tax (credit)/charge	**(0.6)**	1.8

The income tax charged directly to Other Comprehensive Income during the year was £0.3m (2018: £0.3m).

The deferred tax credited directly to Other Comprehensive Income during the year was £1.5m (2018: £2.3m charge).

The deferred tax credited directly to equity during the year was £0.2m (2018: Nil).

Deferred tax liabilities

	Accelerated capital allowances £m	Other temporary differences £m	Total £m
At 1 October 2017	1.9	4.9	6.8
Charged/(credited) against profit for the year	(0.6)	0.7	0.1
At 30 September 2018	1.3	5.6	6.9
Charged/(credited) to profit for the year	**0.1**	**(1.8)**	**(1.7)**
Charged to Other Comprehensive Income	**-**	**0.2**	**0.2**
At 30 September 2019	**1.4**	**4.0**	**5.4**

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

Deferred tax assets

	Retirement benefit obligation £m	Share options £m	Accelerated capital allowances £m	Other temporary differences £m	Total £m
At 30 September 2017	7.5	0.4	0.3	-	8.2
Credited/(charged) to profit for the year	-	0.2	-	2.1	2.3
Credited/(charged) to Other Comprehensive Income	(2.3)	-	-	-	(2.3)
At 30 September 2018	5.2	0.6	0.3	2.1	8.2
Credited/(charged) against profit for the year	**0.6**	**0.1**	**(0.2)**	**1.9**	**2.4**
Credited to Other Comprehensive Income	**1.5**	**-**	**-**	**0.2**	**1.7**
Credited to equity	**-**	**0.2**	**-**	**-**	**0.2**
At 30 September 2019	**7.3**	**0.9**	**0.1**	**4.2**	**12.5**

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

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

The Group has no unrecognised deferred tax assets (2018: Nil).

6. Cash and cash equivalents

The Group generates cash from its operating activities as follows:

	2019 £m	2018 £m
Continuing operations		
Profit for the year	**14.3**	19.8
Adjustments for:		
Taxation	**(0.6)**	1.8
Depreciation	**4.3**	4.9
Property impairment	**1.1**	-
Amortisation of intangible assets	**7.4**	6.2
Impairment of development costs	**3.8**	-
Defined benefit pension scheme cost	**4.0**	0.5
Finance income	**(0.4)**	(0.2)
Finance costs	**0.2**	0.2
Other finance expense	**0.9**	1.2
Loss on disposal of property, plant and equipment	**-**	0.1
Fair value of share based payments	**0.4**	1.2
Impairment of inventory and receivables re: exit Fire SCBA market	**1.6**	-
(Increase)/decrease in inventories	**0.7**	(2.1)
(Increase)/decrease in receivables	**(9.9)**	(1.8)
(Decrease)/Increase in payables and provisions	**(4.6)**	6.3
Cash flows from continuing operations	**23.2**	38.1
Analysed as:		
Cash flows from continuing operations prior to the effect of exceptional operating items	**25.1**	38.2
Cash effect of exceptional operating items	**(1.9)**	(0.1)
Discontinued operations		
Profit for the year	**-**	1.6
Gain on disposal and net effect of operating activities	**-**	(1.8)
Cash (used in) in discontinued operations	**-**	(0.2)
Cash flows from operations	**23.2**	37.9

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.

	2018 £m	Cash flow £m	Exchange movements £m	**2019 £m**
Cash at bank and in hand	46.6	1.2	0.6	**48.4**
Debt due in less than 1 year	(0.1)	-	-	**(0.1)**
Net cash	46.5	1.2	0.6	**48.3**

8. Equity

Share capital

	No. of shares 2019	Ordinary shares 2019 £m	Share premium 2019 £m	No. of shares 2018	Ordinary shares 2018 £m	Share premium 2018 £m
Called up allotted and fully paid ordinary shares of £1 each						
At the beginning of the year	**31,023,292**	**31.0**	**34.7**	31,023,292	31.0	34.7
At the end of the year	**31,023,292**	**31.0**	**34.7**	31,023,292	31.0	34.7

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

At 30 September 2019, 506,274 (2018: 499,264) ordinary shares were held by a trust in respect of obligations under the 2010 Performance Share Plan. Dividends on these shares have been waived. The market value of the shares held in the trust at 30 September 2019 was £8.4m (2018: £6.4m). These shares are held at cost as treasury shares and deducted from shareholders' equity.

During 2019 the trust acquired 100,000 (2018: 100,000) shares at a cost of £1.3m (2018: £1.1m).

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

3,364 (2018: 3,031) ordinary shares of £1 each were awarded in relation to the annual incentive plan.

9. Dividends

On 1 February 2019, the shareholders approved a final dividend of 10.68p per qualifying ordinary share in respect of the year ended 30 September 2018. This was paid on 15 March 2019 utilising £3.3m of shareholders' funds (2018: £2.5m).

The Board of Directors declared an interim dividend of 6.94p (2018: 5.34p) per qualifying ordinary share in respect of the year ended 30 September 2019. This was paid on 6 September 2019 utilising £2.1m (2018: £1.6m) of shareholders' funds.

After the balance sheet date, the Board of Directors proposed a final dividend of 13.89p per qualifying ordinary share in respect of the year ended 30 September 2019, which will utilise an estimated £4.2m of shareholders' funds. Subject to shareholder approval, the dividend will be paid on 13 March 2020 to shareholders on the register at the close of business on 14 February 2020. In accordance with accounting standards, 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 2017	2.0
Reclassification from other payables	1.5
Provision utilised	(0.4)
Payments in the year	(0.3)
Balance at 30 September 2018	2.8
Provision reversed during the year	(0.4)
Payments in the year	(0.1)
Balance at 30 September 2019	2.3

Prior year movements include a reclassification of £1.5m property provisions from Other Payables.

Analysis of total provisions	**2019 £m**	2018 £m
Non-current	**2.3**	2.5
Current	**-**	0.3
	2.3	2.8

Property obligations previously included an onerous lease provision of £0.9m in respect of unutilised space at the Group's leased Melksham facility in the U.K. £0.1m of this provision was utilised in 2019 with the remaining £0.8m being released as a result of this facility now being fully utilised. Other property obligations relate to leased premises of the Group which are subject to dilapidation risks and are expected to be utilised within the next ten years. Such provisions were increased by £0.4m during the year. Property provisions are subject to uncertainty in respect of the utilisation, non-utilisation, subletting of surplus leasehold property and any negotiated settlement of any dilapidation claims with landlords.

11. Acquisition and disposals

Acquisition – 3M's ballistic protection business

The signing of an agreement to acquire 3M's ballistic protection business and the rights to the Ceradyne brand was announced on 6 August 2019. The acquisition is subject to U.S. regulatory approvals and is expected to close during the first half of 2020. The results of the business are not consolidated within the 2019 financial statements as the purchase agreement does not transfer control to the Group and therefore this announcement. However the following transactions have been included and reported within these financial statements.

Acquisition costs

The acquisition related costs are expensed in the periods in which the services are received, in line with recognised accounting practices. £2.8m of such costs, including legal, due diligence and tax advisory fees, have been recognised during the year. These acquisition costs are presented as an exceptional item and excluded from adjusted profit measures.

Deal contingent forward

On signing the acquisition agreement the company entered a deal contingent forward contract to hedge the foreign exchange risk on the U.S. dollar equivalent of the £35m cash funded element of the purchase price. The forward contract will only crystallise if the deal completes within a specified timeframe, 3-12 months from exchange. As a result, the fair value movements due to changes in the currency rates to the balance sheet date of £0.9m, are held on the balance sheet as a liability at year end rather than impacting the income statement.

Disposal - Avon Engineered Fabrications

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

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

Assets and liabilities at the date of disposal were:

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

Acquisition - Merricks Inc. calf nurser product line

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

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

12. Exchange rates

The following significant exchange rates applied during the year:

	Average rate 2019	**Closing rate 2019**	Average rate 2018	Closing rate 2018
U.S. Dollar	**1.276**	**1.232**	1.346	1.305
Euro	**1.131**	**1.126**	1.132	1.127

13. Annual Report & Accounts

Copies of the Directors' report and the audited financial statements for the year ended 30 September 2019 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.