News Release

Avon Rubber p.l.c.

Strictly embargoed until 07:00 19 November 2014

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

Audited results for the year ended 30 September 2014	**30 Sept 2014 £Millions**	30 Sept 2013 £Millions
REVENUE	**124.8**	124.9
ADJUSTED EBITDA (*)	**22.9**	20.0
ADJUSTED OPERATING PROFIT (*)	**17.0**	14.2
ADJUSTED PROFIT BEFORE TAX (*)	**16.6**	13.7
NET CASH / (DEBT)	**2.9**	(10.9)
EARNINGS PER SHARE:		
Adjusted basic (*)	**43.7p**	33.8p
Basic	**36.2p**	30.0p
Adjusted diluted (*)	**42.3p**	32.5p
Diluted	**35.0p**	28.8p
DIVIDEND PER SHARE	**5.61p**	4.32p

FINANCIAL HIGHLIGHTS:

- Operating profit growth of 20% (26% at constant currency) and profit before tax increased 21%
- Return on sales (EBITDA divided by revenue) improved 2% from 16% to 18%
- Diluted earnings per share increased 30% (37% at constant currency)
- 156% conversion of operating profit to operating cash; debt eliminated, £2.9m cash at year end
- Dividend of 5.61p per share increased 30%

OPERATIONAL HIGHLIGHTS:

- Order intake in Protection & Defence up 26% to £93m; order book £33m for delivery in 2015
- Growth in non-DOD sales from strong opening order book and higher order intake; Protection & Defence operating margin increased from 11.9% to 14.6%
- 11 new product approvals including our Deltair self-contained breathing apparatus (SCBA) and emergency escape breathing device (EEBD)
- The consolidation of our Lawrenceville site into our Cadillac site is substantially complete
- Dairy operating margins increased from 16.3% to 17.9%
- Cluster Exchange service successfully launched in EU and US
- Dairy facility open for business in Brazil in Q1 2015

(*) Note:

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

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

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

	Statutory	Adjustments	Adjusted
Group EBITDA (£m)	20.5	2.4	22.9
Group Operating profit (£m)	14.3	2.7	17.0
Group Profit before Taxation (£m)	13.9	2.7	16.6
Group Profit for the year (£m)	10.8	2.2	13.0
Basic Earnings per Share (pence)	36.2p	7.5p	43.7p
Diluted Earnings per Share (pence)	35.0p	7.3p	42.3p
Protection & Defence EBITDA (£m)	16.5	2.0	18.5
Protection & Defence Operating profit (£m)	11.3	2.3	13.6

The adjustments comprise:

- amortisation of acquired intangibles of £0.3m
- defined benefit pension scheme costs of £0.4m, which relate to a scheme closed to future accrual and therefore do not relate to current operations
- exceptional item of £2.0m relating to the consolidation of Protection & Defence sites
- tax effect of exceptional item of £0.5m

Further details are provided in note 3.

Commenting on the results, Peter Slabbert, Chief Executive said:

"2014 has been an excellent year reflecting the strategic decisions made over the last three years to invest in innovative new products and technologies while expanding our international markets. This strategy will continue to drive growth in the years ahead."

For further enquiries, please contact:

Avon Rubber p.l.c.

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AN ANALYST MEETING WILL BE HELD AT 09.30AM THIS MORNING AT THE OFFICES OF WEBER SHANDWICK FINANCIAL, 2 WATERHOUSE SQUARE, 140 HOLBORN, LONDON, EC1N 2AE.

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

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

Our world-leading Dairy business and its Milkrite brand have a global market presence. With a long history of manufacturing liners and tubing for the dairy industry, Milkrite has become the leading innovator and designer for products and services right at the heart of milking. Our goal is always to improve and maintain animal health. Working with the leading scientists and health specialists in the global dairy industry we continue to invest in technology to further improve the milking process and animal welfare. Our products provide exceptional results for both the animal and the milker, making the milk extraction process run smoothly. As our market share and milking experience continue to grow, so does our global presence.

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

AVON RUBBER p.l.c.

INTRODUCTION

Avon has delivered another year of exceptionally strong growth in 2014. We have further strengthened our business, improved our margins and through sound operational management provided strong cash generation moving us to a net cash position.

STRATEGY

In addition to the strong financial performance, we end the year with a more robust and sustainable business. Both Protection & Defence and Dairy are generating increased opportunities for growth. In Protection & Defence we have 11 new product approvals and are growing in all our market sectors. In Dairy we are increasing our own brand Milkrite's market share, expanding our product and service offerings and developing our distribution in emerging markets. We have also invested £2m across the Group in upgrading our IT systems over the past 18 months which will deliver a single Group-wide ERP infrastructure to provide better business integration and support our growing global business.

Our continued investment in product, brand and market development and in our operational capability in 2014 should position us to make further progress in the coming years.

GROUP RESULTS

Revenue was flat at £124.8m (2013: £124.9m) but increased 5% on a constant currency basis.
Operating profit before depreciation and amortisation (EBITDA) rose 14% to £22.9m (2013: £20.0m) and operating profit rose 20% to £17.0m (2013: £14.2m) (an increase of 26% at constant currency).

The progressive strengthening of sterling during the year gave the Group a foreign exchange translation headwind. The US $/£ average rate was $1.65 (2013: $1.56) and this 9 cent headwind was equivalent to £5.7m at a revenue level and £0.8m at an operating profit level.

SEGMENTAL PERFORMANCE

PROTECTION & DEFENCE

Protection & Defence represented 74% (2013: 75%) of total Group revenues. The business saw revenues decrease by 0.3% from £93.2m to £92.8m (an increase of 4.7% at constant currency). Underlying growth was due to growing non-DOD mask sales. Our strong manufacturing capability and existing capacity allowed us to meet this increase in customer demand.

Operating profit grew strongly to £13.6m (2013: £11.0m) up 23.0% and EBITDA was £18.5m (2013: £16.1m), representing a return on sales (defined as EBITDA divided by revenue) of 20.0% (2013: 17.3%). This reflects a richer mix of non-DOD sales and improved operational performance, slightly offset by continued investment in the infrastructure of the business.

Order intake was £93m with increased orders from the DOD, EMEA and North American customers. Our DOD long-term M50 mask contract is in its seventh year and we supplied 168,000 systems during the year, bringing the total to over 1.2m systems so far under this contract. As a result of higher order intake of 246,000 mask systems we enter 2015 with an order book covering the first half year sales at a slightly accelerated rate. Follow-on DOD M50 orders are expected in the first half as 2015 DOD budgets are released.

The filter requirement has less short-term visibility, but we expect this consumable item to be a good source of repeat revenue in the long term as more masks enter service. Whilst uncertainty continues in the US regarding budget cuts and sequestration, we are an established programme, delivering to schedule and the largest user, the Army, has begun taking product. This gives us a reasonable degree of comfort that mask system volumes will continue at good levels for the foreseeable future.

During the year the Joint Service Aircrew Mask (JSAM) programme design, development and testing work progressed well. This will provide respiratory protection to a wide range of operators on the DOD's fleet of fixed wing aircraft. This $6.7m development contract is due to conclude at the end of our 2015 financial year and should lead to a production contract which could be worth up to $74m.

Our newly developed Emergency Escape Breathing Device (EEBD) received NIOSH approval to the new standard, with Avon being the only manufacturer to date to achieve this. This product has applications on board navy ships and in the mining sector. The US Navy has an open solicitation to replace its ageing installed base to which we will respond in our 2015 financial year.

DOD sales are a lower proportion of the division's sales as, in line with our strategy, we have successfully grown our non-DOD sales. Sales to US law enforcement and non-US military and law enforcement increased from £25.0m to £31.0m as a result of strong order intake in 2014 as we experience the benefit of the increased sales and marketing resource added in prior years. We won an industrial order in the final quarter of the year for 27,000 escape hoods of which the majority is for delivery in 2015.

Sales to the fire market were flat in the first half of the year as purchasers put procurement decisions on hold pending release of the new, delayed, NFPA standard. Our new Deltair SCBA, designed to meet these new US regulations and to enhance operational performance, was approved in April 2014. It is one of only three units to receive approval to date and has been well received by the market in early customer trials. This led to a relatively stronger conclusion to the year and our target of converting this pipeline of opportunity into revenue in 2015 has begun well as we carry forward confirmed orders for 600 Deltair units.

AEF again made a positive contribution to divisional operating profit, winning hovercraft skirt and fuel and water storage tank orders. We enter 2015 with order coverage for the first half of the year, which gives us excellent visibility in this part of the business.

DOD spares sales have grown this year, as expected; as the installed base of masks grows so does the DOD's requirement to fill its supply chain.

We have consolidated our Protection & Defence operations from four US sites into three ahead of the expiry of the lease on our Lawrenceville, Georgia facility in 2015. The move is substantially complete and we are pleased that our operations team brought the project in on time and on budget. Our Cadillac, Michigan facility is now the centre of excellence for both mask manufacture and filter technology as well as the supplied air products previously manufactured in Lawrenceville.

DAIRY

Dairy revenues increased by 0.8% to £32.0m (2013: £31.7m) (up 5.0% on a constant currency basis) reflecting the success of our Cluster Exchange service and growth of the Milkrite brand in Europe.

Operating profit increased by 10.7% to £5.7m (2013: £5.2m) (up 17.0% at constant currency). EBITDA was £6.6m (2013: £5.8m), giving a return on sales (as defined above) of 20.7%, up from 18.4% in 2013.

The difficult market conditions experienced during the latter part of the previous financial year began to improve as a result of the better 2013 harvest which resulted in lower animal feed costs. This, together with higher milk prices, reduced the pressure on farmer revenues and margins and led to a return of more normal levels of demand for our consumable products.

Milkrite increased as a proportion of total revenue providing a richer sales mix. Only four years ago OEM customers represented 47% of our revenue; at the end of this year this had fallen to 31%, reflecting the success of the Milkrite brand.

In recent years the business has demonstrated through the launch of its ImpulseAir liner that the industry is receptive to new technology which improves farm efficiency and animal health, with our proprietary product now enjoying a 21% market share in the US (2013: 19%).

The launch of the ImpulseAir liner in Europe, where market share grew to 2.5%, contributed to an increase in Milkrite's overall market share (now 16.5%), delivering returns on our investment in the sales force, enhanced technical support and a larger distributor network.

This success has given us the confidence to invest further in product development resource and to commence work on the next generation of products. The first example of this, our Cluster Exchange service, which was successfully launched in the US and Europe at the end of 2013, gained momentum as the year developed and by the end of the year was servicing 256,000 cows on 887 farms. This add-on service for the farmer increases the value of each direct liner sale we make and should lead to a more robust business model. Under this programme farmers outsource to us their liner change process, which we deliver through service centres established in our existing facilities, with the support of our dealers and third-party logistics specialists.

In China, after a softer first half when the dairy industry was restructured following a number of issues, including contaminated milk, contaminated feed and an outbreak of foot and mouth disease, we were pleased to see volumes returning to expected levels in a market which has excellent long-term potential. In many other emerging markets, including Brazil and India, the number of dairy cows being milked using automated milking processes is growing strongly. This is adding to the market potential for the consumable products we sell. We plan to harness this potential by establishing sales and distribution functions in these markets as they develop and consequently we have established a sales and distribution centre in Brazil in the first quarter of the new financial year.

FINANCE EXPENSES

Net interest costs remained constant at £0.3m (2013: £0.3m). Other (non-cash) finance expenses associated with the unwinding of discounts on provisions were £0.2m (2013: £0.2m).

TAXATION

The statutory tax charge totalled £3.1m (2013: £3.6m) on a statutory profit before tax of £13.9m (2013: £12.4m). In 2014 the Group paid tax in the US, but not in the UK due to brought forward tax losses. The effective tax rate for the year is 22% (2013: 29%), reflecting a more favourable geographic mix of profits.

The adjusted effective tax rate, where the tax charge and the profit before taxation are adjusted for exceptional items, the amortisation of acquired intangibles and defined benefit pension scheme costs is 21% (2013: 27%). In 2014 the US Federal tax rate was 34% and the Group's effective tax rate reflects the predominance of US revenues and earnings. Unrecognised deferred tax assets in respect of tax losses in the UK amounted to £1.4m (2013: £2.8m).

EARNINGS PER SHARE

Basic earnings per share were 43.7p (2013: 33.8p) and diluted earnings per share were 42.3p (2013: 32.5p).

NET CASH AND CASHFLOW

Net cash at the end of the year was £2.9m (2013: net debt of £10.9m). The Group had no borrowings at the year end; total bank facilities were £24.5m, which are US dollar denominated and committed to 30 November 2017.

In the year we invested £6.8m (2013: £11.1m) in property, plant and equipment and new product development. In the Protection & Defence business this focused on our new product development programme, Project Fusion. In Dairy we invested in the hardware required to support our Cluster Exchange service offering. Across the Group we continued our investment in a common IT platform to support the Group's future growth ambitions.

Operating activities generated cash of £26.5m (2013: £15.5m), representing 156% of operating profit (2013: 109%). Through sound operational management the Group has driven a strong conversion of profits into cash and this was supplemented by the phasing of customer payments including £3.5m of accelerated payments from a major customer ahead of its financial year-end. Receivables at 30 September 2014 were lower than the previous year due to this phasing and these accelerated payments.

UK RETIREMENT BENEFIT OBLIGATIONS

The balance, as measured under IAS 19 Revised, associated with the Group's UK retirement benefit obligation, which has been closed to future accrual, has moved from a £11.3m deficit at 30 September 2013 to a £16.0m deficit at 30 September 2014. This movement has resulted from a decrease in the discount rate. IAS 19 Revised specifies the use of AA corporate bond (rather than gilt) yields to set the discount rate.

During 2014, the Group paid total contributions of £0.5m. A new triennial actuarial valuation took place as at 31 March 2013. That valuation showed the scheme to be 98.0% funded on a continuing basis and this has given rise to a new deficit recovery plan under which the payments for the Group financial years ending 30 September will be as follows: 2015: £550,000, 2016: £675,000, 2017: £700,000 and 2018: £700,000. These amounts include £250,000 p.a. in respect of administration expenses. An update to the actuarial position as at 30 September 2014 has been obtained and this shows a deficit of £10m, which represents a funding level of 97%.

RESEARCH AND DEVELOPMENT

Intangible assets totalling £17.2m (2013: £16.5m) form a significant part of the balance sheet as we invest in new product development. This can be seen from our expanding product range, particularly respiratory protection products. The annual charge for amortisation of intangible assets was £1.8m (2013: £1.9m). Our total investment in research and development (capitalised and expensed) amounted to £7.0m (2013: £6.4m) of which £4.5m (2013: £2.1m) was customer funded and has been recognised as revenue.

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

We have started to see the benefits of these efforts, which underpin the long-term prosperity of the Group, during our 2014 financial year.

DIVIDEND

Based on the Group's improved profitability, cash generation and the confidence the Board has in the Group's future prospects, the Board is pleased to propose a 30% increase in the final dividend to shareholders of 3.74p per ordinary share (2013: 2.88p).

This, combined with the 2014 interim dividend of 1.87p, results in a full year dividend of 5.61p (2013: 4.32p), up 30%.

OPPORTUNITIES

Last year we highlighted that the nature of our challenge had changed and that management was now firmly focused on growth and margin enhancement. Both of these are clearly reflected in the 2014 results.

Looking forward we see our global market leading positions delivering further opportunities for organic growth. We will continue to invest in innovative new technologies and products and in building our brand and market reach to bring these opportunities to fruition. Our strong balance sheet will also support complementary acquisitions which can deliver synergistic benefits.

BOARD CHANGES

After serving as a Non-Executive Director since March 2005 Stella Pirie will stand down at the AGM in January 2015. Stella has made a significant contribution during a period of remarkable progress and change for the Group, for which she has our considerable thanks. A recruitment process to appoint a suitable replacement is underway and an announcement will be made at the appropriate time.

OUTLOOK

Our strategy has significantly improved the shape of the Group, reduced the risk profile and improved margins. This is providing continued growth and the outlook for the future remains positive.

In our global Protection & Defence business we have good visibility of DOD revenues for 2015 and expect to see growth in the fire and industrial markets. New products will contribute to growth and we should see a positive operational gearing effect from a stable cost base.

The Dairy business is well positioned with positive current market conditions and long-term market growth potential. We expect volume growth from our investment in the emerging markets of China and Brazil and from the Cluster Exchange programme. We continue to invest in enhanced milking technologies.

Peter Slabbert	Andrew Lewis
Chief Executive	Group Finance Director
19 November 2014	19 November 2014

Consolidated Statement of Comprehensive Income
for the year ended 30 September 2014

		Year to 30 Sept 2014			Year to 30 Sept 2013		
		Statutory	**Adjustments**	**Adjusted**	Statutory (restated**)	Adjustments	Adjusted
	Note	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Revenue	2	**124,779**	**-**	**124,779**	124,851	-	124,851
Cost of sales		**(83,264)**	**-**	**(83,264)**	(91,140)	-	(91,140)
Gross profit		**41,515**	**-**	**41,515**	33,711	-	33,711
Selling and distribution costs		**(11,505)**	**-**	**(11,505)**	(9,101)	-	(9,101)
General and administrative expenses		**(15,685)**	**2,678**	**(13,007)**	(11,607)	1,220	(10,387)
Operating profit	2	**14,325**	**2,678**	**17,003**	13,003	1,220	14,223
Operating profit is analysed as:							
Before depreciation and amortisation		**20,486**	**2,417**	**22,903**	19,220	803	20,023
Depreciation and amortisation		**(6,161)**	**261**	**(5,900)**	(6,217)	417	(5,800)
Operating profit		**14,325**	**2,678**	**17,003**	13,003	1,220	14,223
Finance income		**1**	**-**	**1**	1	-	1
Finance costs		**(275)**	**-**	**(275)**	(348)	-	(348)
Other finance expense		**(187)**	**12**	**(175)**	(253)	33	(220)
Profit before taxation		**13,864**	**2,690**	**16,554**	12,403	1,253	13,656
Taxation	4	**(3,053)**	**(450)**	**(3,503)**	(3,566)	(122)	(3,688)
Profit for the year		**10,811**	**2,240**	**13,051**	8,837	1,131	9,968
Other comprehensive expense							
Actuarial loss recognised on retirement benefit schemes (***)		**(4,851)**	**-**	**(4,851)**	(9,180)	-	(9,180)
Net exchange differences offset in reserves (****)		**(306)**	**-**	**(306)**	(74)	-	(74)
Other comprehensive expense for the year, net of taxation		**(5,157)**	**-**	**(5,157)**	(9,254)	-	(9,254)
Total comprehensive income/(expense) for the year		**5,654**	**2,240**	**7,894**	(417)	1,131	714

Consolidated Statement of Comprehensive Income
for the year ended 30 September 2014 (continued)

Earnings per share					
Basic	6	**36.2p**	**43.7p**	30.0p	33.8p
Diluted	6	**35.0p**	**42.3p**	28.8p	32.5p

**Restated for the change in accounting for pension costs. See note 1.
*** Items that are not subsequently reclassified to the income statement.
****Items that may be subsequently reclassified to the income statement.

Consolidated Balance Sheet
as at 30 September 2014

	Note	As at 30 Sept 14 £'000	As at 30 Sept 13 £'000
Assets			
Non-current assets			
Intangible assets		**17,240**	16,541
Property, plant and equipment		**19,575**	20,387
		36,815	36,928
Current assets			
Inventories		**12,887**	13,374
Trade and other receivables		**19,157**	20,677
Derivative financial instruments		**2**	214
Cash and cash equivalents	10	**2,925**	184
		34,971	34,449
Liabilities			
Current liabilities			
Trade and other payables		**17,755**	16,680
Provisions for liabilities and charges	7	**1,846**	616
Current tax liabilities		**6,852**	6,073
		26,453	23,369
Net current assets		**8,518**	11,080
Non-current liabilities			
Borrowings	10	**-**	11,059
Deferred tax liabilities		**2,315**	2,977
Retirement benefit obligations		**16,029**	11,279
Provisions for liabilities and charges	7	**1,973**	1,997
		20,317	27,312
Net assets		**25,016**	20,696
Shareholders' equity			
Ordinary shares	8	**31,023**	30,723
Share premium account		**34,708**	34,708
Capital redemption reserve		**500**	500
Translation reserve		**(932)**	(626)
Accumulated losses		**(40,283)**	(44,609)
Total equity		**25,016**	20,696

Consolidated Cash Flow Statement
for the year ended 30 September 2014

	Note	**Year to 30 Sept 14 £'000**	Year to 30 Sept 13 £'000
Cash flows from operating activities			
Cash generated before the impact of exceptional items		**26,500**	15,541
Cash impact of exceptional items		**(983)**	(241)
Cash generated from operations	9	**25,517**	15,300
Finance income received		**1**	1
Finance costs paid		**(315)**	(365)
Retirement benefit deficit recovery contributions		**(513)**	(592)
Tax paid		**(2,903)**	(2,229)
Net cash generated from operating activities		**21,787**	12,115
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**19**	2
Purchase of property, plant and equipment		**(3,753)**	(6,339)
Capitalised development costs and purchased software		**(3,062)**	(4,715)
Acquisition of VR Technology Holdings		**(50)**	(439)
Net cash used in investing activities		**(6,846)**	(11,491)
Cash flows from financing activities			
Net movements in loans		**(10,805)**	2,281
Dividends paid to shareholders		**(1,422)**	(1,132)
Purchase of own shares		**-**	(1,765)
Net cash used in financing activities		**(12,227)**	(616)
Net increase in cash, cash equivalents and bank overdrafts		**2,714**	8
Cash, cash equivalents and bank overdrafts at beginning of the year		**184**	176
Effects of exchange rate changes		**27**	-
Cash, cash equivalents and bank overdrafts at end of the year	10	**2,925**	184

Consolidated Statement of Changes in Equity
for the year ended 30 September 2014

	Note	Share capital £'000	Share Premium £'000	Other reserves £'000	Accumulated losses £'000	Total £'000
At 1 October 2012		30,723	34,708	(52)	(41,482)	23,897
Profit for the year**		-	-	-	8,837	8,837
Unrealised exchange differences on overseas investments		-	-	(74)	-	(74)
Actuarial loss recognised on retirement benefit scheme**		-	-	-	(9,180)	(9,180)
Total comprehensive expense for the year		-	-	(74)	(343)	(417)
Dividends paid		-	-	-	(1,132)	(1,132)
Purchase of shares by the employee benefit trust		-	-	-	(1,765)	(1,765)
Movement in respect of employee share scheme		-	-	-	113	113
At 30 September 2013		30,723	34,708	(126)	(44,609)	20,696
Profit for the year		**-**	**-**	**-**	**10,811**	**10,811**
Unrealised exchange differences on overseas investments		**-**	**-**	**(306)**	**-**	**(306)**
Actuarial loss recognised on retirement benefit scheme		**-**	**-**	**-**	**(4,851)**	**(4,851)**
Total comprehensive income for the year		**-**	**-**	**(306)**	**5,960**	**5,654**
Dividends paid	5	**-**	**-**	**-**	**(1,422)**	**(1,422)**
Issue of shares	8	**300**	**-**	**-**	**-**	**300**
Purchase of shares by employee benefit trust	8	**-**	**-**	**-**	**(300)**	**(300)**
Movement in respect of employee share scheme		**-**	**-**	**-**	**88**	**88**
At 30 September 2014		**31,023**	**34,708**	**(432)**	**(40,283)**	**25,016**

Other reserves consist of the capital redemption reserve of £500,000 (2013: £500,000) and the translation reserve of £932,000 (2013: £626,000).

All movements in other reserves relate to the translation reserve.

**Restated for the change in accounting for pension costs. See note 1.

1. Basis of preparation

a) These financial results do not comprise statutory accounts for the year ended 30 September 2014 within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2013 were approved by the Board of Directors on 20 November 2013 and delivered to the Registrar of Companies. Statutory accounts for the year ended 30 September 2014 will be delivered to the Registrar following the Company's Annual General Meeting. The report of the auditors on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

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

c) Standards, amendments and interpretations effective in 2014

The following amendment has been adopted in preparing the condensed consolidated financial information for the year ended 30 September 2014:

- IAS 19 (revised), 'Employee benefits'

The main changes affecting the Group are as follows:

- Interest income or expense has been calculated by applying the discount rate to the net defined benefit liability or asset as at the previous year end. Previously interest cost was calculated on the defined benefit obligation and expected return calculated on plan assets.

- Costs associated with investment management are deducted from the return on plan assets (which is unchanged from the previous standard). Other expenses are recognised in the consolidated statement of comprehensive income as incurred.

This resulted in an increase in the amounts charged to the income statement of £0.8m for the year ended 30 September 2014 over the cost under the previous standard and a 2.6p reduction in earnings per share, with a similar impact on the statutory comparatives for the year ended 30 September 2013, as shown below:

	Year to 30 Sept 2013		
	Reported	Restate	Restated
	£'000	£'000	£'000
Operating profit	13,423	(420)	13,003
Finance income	1	-	1
Finance costs	(348)	-	(348)
Other finance income/(expense)	118	(371)	(253)
Profit before taxation	13,194	(791)	12,403
Taxation	(3,566)	-	(3,566)
Profit for the year	9,628	(791)	8,837
Other comprehensive expense			
Actuarial loss recognised on retirement benefit scheme	(9,971)	791	(9,180)
Net exchange differences offset in reserves	(74)	-	(74)
Other comprehensive expense for the year, net of taxation	(10,045)	791	(9,254)
Total comprehensive expense for the year	(417)	-	(417)
Earnings per share			
Basic	32.7p	(2.7p)	30.0p
Diluted	31.4p	(2.6p)	28.8p

In the analysis above, the discount rate has been applied to the net deficit. Administration costs have been charged against operating profit and investment management costs have been included in other comprehensive income.

On the face of the consolidated statement of comprehensive income, adjusted results have been disclosed which exclude defined benefit pension scheme costs as these relate to a scheme closed to future accrual and are not therefore relevant to current operations. No adjustment has been made to other comprehensive income.

d) The classification of overhead costs between selling and distribution costs and general and administrative expenses has been represented to provide more relevant information. There is no impact on operating profit.

2. Segmental analysis

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

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

Business Segments

Year ended 30 September 2014

	Protection & Defence £'000	Dairy £'000	Unallocated £'000	Group £'000
Revenue	92,818	31,961		124,779
Segment result before depreciation, amortisation, exceptional items and defined pension scheme costs	18,542	6,600	(2,239)	22,903
Depreciation of property, plant and equipment	(3,289)	(771)	(67)	(4,127)
Amortisation of development costs and software	(1,670)	(94)	(9)	(1,773)
Segment result before amortisation of acquired intangibles, exceptional items and defined pension scheme costs	13,583	5,735	(2,315)	17,003
Amortisation of acquired intangibles	(261)			(261)
Exceptional items	(2,017)			(2,017)
Defined benefit pension scheme costs			(400)	(400)
Segment result	11,305	5,735	(2,715)	14,325
Finance income			1	1
Finance costs			(275)	(275)
Other finance expense			(187)	(187)
Profit before taxation	11,305	5,735	(3,176)	13,864
Taxation			(3,053)	(3,053)
Profit for the year	11,305	5,735	(6,229)	10,811
Segment assets	52,128	13,501	6,157	71,786
Segment liabilities	12,011	1,946	32,813	46,770
Other segment items				
Capital expenditure				
- intangible assets	2,725	337	-	3,062
- property, plant and equipment	1,898	1,825	8	3,731

Year ended 30 September 2013

	Protection & Defence £'000	Dairy £'000	Unallocated £'000	Group £'000
Revenue	93,137	31,714		124,851
Segment result before depreciation, amortisation, exceptional items and defined benefit pension scheme costs	16,136	5,835	(1,948)	20,023
Depreciation of property, plant and equipment	(3,221)	(623)	(52)	(3,896)
Amortisation of development costs and software	(1,868)	(32)	(4)	(1,904)
Segment result before amortisation of acquired intangibles, exceptional items and defined benefit pension scheme costs	11,047	5,180	(2,004)	14,223
Amortisation of acquired intangibles	(417)			(417)
Exceptional items	(383)			(383)
Defined benefit pension scheme costs			(420)	(420)
Segment result	10,247	5,180	(2,424)	13,003
Finance income			1	1
Finance costs			(348)	(348)
Other finance expense			(253)	(253)
Profit before taxation	10,247	5,180	(3,024)	12,403
Taxation			(3,566)	(3,566)
Profit for the year	10,247	5,180	(6,590)	8,837
Segment assets	57,556	11,748	2,073	71,377
Segment liabilities	10,691	3,371	36,619	50,681
Other segment items				
Capital expenditure				
- intangible assets	3,474	304	809	4,587
- property, plant and equipment	4,665	1,419	91	6,175

3. Amortisation of acquired intangible assets and exceptional items

	2014	2013
	£'000	£'000
Amortisation of acquired intangible assets	**261**	417

Exceptional items	**2014**	2013
	£'000	£'000
Relocation of AEF facility	**-**	304
Relocation of Lawrenceville facility	**2,017**	-
Acquisition costs	**-**	79
	2,017	383

The tax impact of the above is a £0.45m reduction in overseas tax payable (2013: £0.12m)

In the consolidated statement of comprehensive income the exceptional items are included within administrative expenses.

The acquisition costs in 2013 relate to the purchase of VR Technology Holdings and other potential acquisitions investigated that year.

4. Taxation

	2014	2013
	£'000	£'000
United Kingdom	**-**	-
Overseas	**3,053**	3,566
	3,053	3,566
Effect of exceptional items	**450**	122
Adjusted tax charge	**3,503**	3,688

The effective tax rate for the year is 22% (30 September 2013: 29%).

The adjusted effective tax rate, where the tax charge and the profit before taxation are adjusted for exceptional items, the amortisation of acquired intangibles and defined benefit pension scheme costs is 21% (30 September 2013: 27%).

5. Dividends

On 6 Feburary 2014, the shareholders approved a final dividend of 2.88p per qualifying ordinary share in respect of the year ended 30 September 2013. This was paid on 21 March 2014 absorbing £862,000 of shareholders' funds.

On 30 April 2014, the Board of Directors declared an interim dividend of 1.87p (2013: 1.44p) per qualifying ordinary share in respect of the year ended 30 September 2014. This was paid on 5 September 2014 absorbing £560,000 (2013: £424,000) of shareholders' funds.

After the balance sheet date the Board of Directors proposed a final dividend of 3.74p per qualifying ordinary share in respect of the year ended 30 September 2014, which will absorb an estimated £1,119,000 of shareholders' funds. Subject to shareholder approval, the dividend will be paid on 20 March 2015 to shareholders on the register at the close of business on 20 February 2015. In accordance with accounting standards this dividend has not been provided for and there are no corporation tax consequences.

6. Earnings per share

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

	2014	2013
Weighted average number of ordinary shares in issue used in basic calculations (thousands)	**29,871**	29,451
Potentially dilutive shares (weighted average) (thousands)	**979**	1,231
Fully diluted number of ordinary shares (weighted average) (thousands)	**30,850**	30,682

	2014 £'000	**2014 Basic eps pence**	**2014 Diluted eps pence**	2013 £'000	2013 Basic eps pence	2013 Diluted eps pence
Profit attributable to equity shareholders of the Company	**10,811**	**36.2**	**35.0**	8,837	30.0	28.8
Adjustments	**2,240**	**7.5**	**7.3**	1,131	3.8	3.7
Profit excluding amortisation of acquired intangibles assets, exceptional items and defined benefit pension scheme costs	**13,051**	**43.7**	**42.3**	9,968	33.8	32.5

7. Provisions for liabilities and charges

	Facility Relocation £'000	**Property obligations £'000**	**Total £'000**
Balance at 1 October 2012	-	2,993	2,993
Unwinding of discount	-	220	220
Payments in the year	-	(600)	(600)
Balance at 30 September 2013	-	2,613	2,613
Charged in the year	**1,637**	**1,632**	**3,269**
Unwinding of discount	**-**	**175**	**175**
Payments in the year	**(1,191)**	**(1,056)**	**(2,247)**
Exchange difference	**8**	**1**	**9**
Balance at 30 September 2014	**454**	**3,365**	**3,819**

8. Share capital

	2014	2013
Number of shares (thousands)	**31,023**	30,723
Ordinary shares (£'000)	**31,023**	30,723

During the year, 300,000 ordinary shares with a nominal value of £1 per share were issued at par to the Avon Rubber p.l.c. Employee Share Ownership Trust No. 1.

9. Cash generated from operations

	2014 £'000	2013 £'000
Profit for the year	**10,811**	8,837
Adjustments for:		
Taxation	**3,053**	3,566
Depreciation	**4,127**	3,896
Amortisation of intangible assets	**2,034**	2,321
Defined benefit pension scheme cost	**400**	420
Finance income	**(1)**	(1)
Finance costs	**275**	348
Other finance expense	**187**	253
Loss on disposal of intangibles	**149**	62
Loss on disposal of property, plant and equipment	**209**	24
Movement in respect of employee share scheme	**88**	113
Decrease in inventories	**370**	2,259
Decrease/(increase) in receivables	**1,479**	(6,295)
Increase/(decrease) in payables and provisions	**2,336**	(503)
	25,517	15,300

10. Analysis of net cash / (debt)

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

	At 1 Oct 2013 £'000	Cash flow £'000	Exchange movements £'000	**At 30 Sept 2014 £'000**
Cash at bank and in hand	184	2,714	27	**2,925**
Net cash and cash equivalents	184	2,714	27	**2,925**
Debt due in more than 1 year	(11,059)	10,805	254	**-**
	(10,875)	13,519	281	**2,925**

On 9 June 2014 the Group agreed new bank facilities with Barclays Bank and Comerica Bank. The combined facility comprises a revolving credit facility of $40m and expires on 30 November 2017. This facility is priced on the dollar LIBOR plus a margin of 1.25% and includes financial covenants which are measured on a quarterly basis. The Group was in compliance with its financial covenants during 2014 and 2013.

11. Exchange rates

The following significant exchange rates applied during the year.

	Average rate 2014	**Closing rate 2014**	Average rate 2013	Closing rate 2013
US Dollar	**1.654**	**1.631**	1.559	1.612
Euro	**1.221**	**1.281**	1.188	1.191

Fair value of financial instruments

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

12. Annual Report & Accounts

Copies of the Directors' report and the audited financial statements for the year ended 30 September 2014 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.