

2016 Preliminary Results



AVON
Avon Rubber p.l.c.

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News Release



16 November 2016

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

Audited results for the year ended 30 September 2016	30 Sept 2016 £Millions	30 Sept 2015 £Millions	Increase
REVENUE	142.9	134.3	6%
ADJUSTED EBITDA (*)	30.8	27.3	13%
ADJUSTED OPERATING PROFIT (*)	21.8	20.2	8%
ADJUSTED PROFIT BEFORE TAX (*)	21.6	19.8	9%
NET CASH/(DEBT)	2.0	(13.2)	
EARNINGS PER SHARE:			
Adjusted basic (*)	74.2p	56.1p	33%
Basic	60.4p	45.4p	33%
Adjusted diluted (*)	72.8p	54.6p	33%
Diluted	59.2p	44.2p	34%
DIVIDEND PER SHARE	9.48p	7.29p	30%

FINANCIAL HIGHLIGHTS:

- Operating profit growth of 8%
- EBITDA growth of 13%
- Tax credit of £0.9m
- Diluted earnings per share increased 33%
- Return on sales (EBITDA divided by revenue) improved 1.3% from 20.3% to 21.6%
- Continuing healthy conversion of operating profit to operating cash at 152%
- Net cash at year end of £2m (2015: net debt of £13.2m)
- Dividend of 9.48p per share up 30%

OPERATIONAL HIGHLIGHTS:

- Successful integration of the acquisitions of InterPuls, Hudstar and Argus
- \$9m order for recently approved CBRN/CO Escape Hood
- Market share growth of Impulse Air to 29% in the US and 6% in Europe in a soft dairy market
- Continued strong take up of Cluster Exchange which is now servicing 467,000 cows on 1,530 farms across US and Europe

(*) Note:

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

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

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

	Statutory	Adjustments	Adjusted
Group EBITDA (£m)	30.0	0.8	30.8
Group operating profit (£m)	17.6	4.2	21.8
Other finance expense (£m)	0.7	(0.6)	0.1
Group profit before taxation (£m)	16.8	4.8	21.6
Tax (credit)/charge (£m)	(1.8)	0.9	(0.9)
Group profit for the year (£m)	18.3	4.2	22.5
Basic earnings per share (pence)	60.4	13.8	74.2
Diluted earnings per share (pence)	59.2	13.6	72.8
Protection & Defence EBITDA (£m)	21.9	0.5	22.4
Protection & Defence operating profit (£m)	14.0	2.0	16.0
Dairy EBITDA (£m)	9.8	-	9.8
Dairy operating profit (£m)	5.4	1.8	7.2

The adjustments comprise:

- amortisation of acquired intangibles of £3.3m (2015: £1.0m)
- net defined benefit pension scheme cost of £0.3m (2015: credit £0.3m), which relates to a scheme closed to future accrual and therefore does not relate to current operations
- exceptional items of £0.5m (2015: £0.6m) relating to acquisition integration costs (2015: executive search fees and acquisition costs)
- tax effect of adjustments of £0.9m (2015: £0.2m)
- loss on discontinued operations of £0.3m (2015: £1.5m) relating to dilapidations costs of former leased premises of a business disposed of in 2006

Further details are provided in note 3.

Commenting on the results Rob Rennie, Chief Executive Officer, said:

"Avon's strategy has delivered strong earnings growth and cash generation. Our business has proved to be resilient in difficult market conditions and we exit the year a more robust business with a range of good opportunities for growth".

For further enquiries, please contact:

Avon Rubber p.l.c.

Rob Rennie, Chief Executive	020 7067 0700 (until 12 noon today)
Andrew Lewis, Group Finance Director	01225 896 830
Sarah Matthews-DeMers, Associate Group Finance Director	01225 896 563

Weber Shandwick Financial

Nick Osborne	020 7067 0700
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An analyst meeting will be held at 9.30am 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 Europe, serving markets around the world. We achieve this through nurturing the talent and aspirations of our employees to realise their highest potential.

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

Our world-leading Dairy supplies business and its Milkrite | InterPuls brand has a global market presence. With a long history of manufacturing liners and tubing for the dairy industry, we have become the leading innovator and designer for products and services right at the heart of milking. The acquisition of InterPuls in 2015, a specialist in electro-mechanical milking components, such as pulsators, milk meters, automatic cluster removers and milking clusters, has added significantly to our product range, making us the complete milking point solutions provider improving every farm we touch.

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

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

INTRODUCTION

Avon's strategy has delivered strong earnings growth and cash generation resulting in the Group ending the year with net cash of £2.0m.

During the year we have successfully integrated the acquisitions made late in 2015 and early 2016 and, in difficult market conditions, both sides of our business have proved to be resilient. We exit the year a more robust business with both a broader product range and increased routes to market.

We continue to maintain our focus on creating a healthy and sustainable business and, by investing in and integrating technology in both divisions, we are creating exciting future international growth opportunities.

Continuing sound financial and operational management has both protected our margins and delivered strong operating cash flows, enabling us to fund the recent acquisitions whilst reducing our debt by £15.2m, thus maintaining a strong balance sheet.

ACQUISITION

In October 2015 we acquired the Argus thermal imaging camera business from e2v technologies plc for £3.3m. The thermal imaging product is complementary to our offering in both the fire service and law enforcement markets and has been successfully integrated into our sales and distribution structure with good demand for the products.

GROUP RESULTS

Group revenue increased 6% to £142.9m (2015: £134.3m) with Protection & Defence higher by 2% at £100.9m (2015: £98.8m) and Dairy up 18% to £42.0m (2015: £35.5m). Operating profit before depreciation and amortisation (EBITDA) rose 13% to £30.8m (2015: £27.3m) and operating profit rose 8% to £21.8m (2015: £20.2m).

The progressive strengthening of the US dollar during the year gave the Group a foreign exchange translation tailwind. The US \$/£ average rate was \$1.42 (2015: \$1.54) and this 12 cent tailwind was equivalent to £9.4m at a revenue level and £1.4m at an operating profit level.

SEGMENTAL PERFORMANCE

PROTECTION & DEFENCE PERFORMANCE

Protection & Defence represented 71% (2015: 74%) of total Group revenues. The business saw revenues increase by 2% from £98.8m to £100.9m.

Operating profit grew to £16.0m (2015: £15.9m) and EBITDA was up 4% to £22.4m (2015: £21.6m), representing a return on sales (defined as EBITDA divided by revenue) of 22.2% (2015: 21.9%). Our margins have improved due to the mix of product shipped, efficiencies, the careful management of discretionary spend and increased prices under our long-term DOD contract.

Under our long-term DOD M50 mask contract we supplied 189,000 mask systems during the financial year, bringing the total to over 1.6m systems so far under this contract. Having received orders for 169,000 mask systems during the year, this left us with an order book of 30,000 systems as we entered our 2017 financial year. This has been supplemented since the year end by a further order from the DOD for 131,000 mask systems.

The filter requirement has less short-term visibility, but we expect this consumable item to be a good source of repeat revenue in the long term as more masks enter service. As expected, the DOD qualified a second source to provide filters during 2015 and in 2016 we received orders under this new arrangement for 122,000 filter pairs, with 37,000 pairs carried forward for delivery in the first quarter of 2017.

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. During 2016 the DOD continued to test the product on the aircraft platforms it will be deployed on. We continue to expect that when this concludes, it should lead to a production contract which could be worth in excess of \$70m, with the first revenues expected in 2017.

Sales to US law enforcement and non-US military and law enforcement were £31.6m (2015: £27.7m) as a result of a good performance from the underlying portfolio and a \$9m order from the New York Police Department for our recently approved CBRN/CO Escape Hood, the majority of which was delivered in the final quarter of the year.

We saw growth in sales to the fire market this year following the acquisition and successful integration of the Argus thermal imaging camera business.

AEF has experienced a softer year, reflecting the variability in timing of certain DOD procurement programmes for fuel and water storage tanks.

DOD spares sales have increased this year, as expected given the increase in the installed base of masks. Long term, as the installed base of masks continues to grow so will the DOD's requirement to fill its supply chain.

The closing order book in Protection & Defence was £20m (2015: £20m). This included the 15,000 mask systems non-DOD order we received in September which will be delivered in the first quarter of the new year. We also carried forward 30,000 DOD masks (2015: 50,000) and since the year end have received a further order for 131,000 mask systems from the DOD.

We continue to see several higher margin export opportunities for military masks, although the timing of order receipt remains difficult to predict. These remain live and are progressing and we expect to receive and deliver them in our 2017 financial year.

DAIRY PERFORMANCE

Dairy revenues increased by 18% to £42.0m (2015: £35.5m) following the acquisition of InterPuls in August 2015 which offset softer market conditions caused by low milk prices. An increasing proportion of higher margin Milkrite | InterPuls product and service sales, together with disciplined management of discretionary spend, contributed to an increased operating profit of £7.2m (2015: £6.4m).

EBITDA was £9.8m (2015: £7.7m), giving a return on sales (as defined above) of 23.3%, up from 21.7% in 2015.

Market conditions for dairy farmers have been weak as milk prices have been low. This typically cyclical market dynamic has, as expected, reduced demand for our consumable products as farmers extend the life through over-using our products. The capital nature of the InterPuls products makes the replacement cycle longer, meaning InterPuls is more affected by the cyclical market dynamics than Milkrite consumable products.

Our Dairy business has become substantially less dependent on original equipment manufacturers (OEMs) in recent years as we continue to grow sales of our own higher margin Milkrite | InterPuls branded products and services. In difficult market conditions we are encouraged that our Milkrite | InterPuls market share continues to increase, meaning that we exit this cyclical downturn with a more robust business.

Milkrite | InterPuls sales increased as a proportion of total revenue, providing a richer sales mix. Only six years ago OEM customers represented 47% of our revenue; at the end of this year this had fallen to 20%,

reflecting the success of the higher margin Milkrite | InterPuls brand and the decision of certain OEMs to insource or dual source production.

In Europe, where Avon-manufactured liners have a 73% market share, Milkrite | InterPuls's liner market share has increased to 32% due to growth in traditional own brand products and the success of our Impulse Air mouthpiece vented liner, first launched in Europe late in 2013. This product continues to gain traction, with its market share increasing to 6%.

In the US, where Avon-manufactured liners have a 61% market share, the Impulse Air mouthpiece vented liner continued to perform well, with its market share increasing to 29%. The total Milkrite | InterPuls market share in the US is 51%.

We are encouraged that in poor market conditions retention of existing farmers and the take up by new farmers of our innovative Cluster Exchange service remains strong in both North America and Europe. By the end of the year we were servicing 467,000 cows on 1,530 farms in the US and Europe, up from 430,000 cows and 1,262 farms at the same time last year. This added-value service enhances the value of each direct liner sale we make and has led to a more robust and sustainable business model, with the potential to grow a significant recurring revenue stream in the years to come, as more farms sign up. We are extending the exchange service concept to include pulsators and tags under a new Farm Services umbrella.

Milk prices in our major markets appear to have bottomed-out and started to improve in the final quarter of our financial year, a trend which has continued since the year end.

We are pleased with the integration of InterPuls, acquired in August 2015, into the wider Dairy business and are on track to realise the long-term strategic benefits that have been identified, in particular the sales synergies available in the North American market. The programme for the roll out of InterPuls products through existing Milkrite distribution in the US has commenced, with the first revenues seen in the final quarter of the financial year. This, together with our expectation that the recent improvement in milk price will continue and positively impact demand for our products, leaves the Board confident of the ability of the Dairy business to make progress in 2017.

In China, our customer base continues to grow, demonstrating the continuation of the industrialisation of the milking process and the strength of the local presence we have established in this market. We remain encouraged by the excellent long-term potential for our products.

In South America, where we opened our sales and distribution facility in the first half of 2015, we have started to make good progress in establishing a strong dealer network and expect to see growth in this region, with revenue growing in line with our expectations.

FINANCE EXPENSES

Net interest costs were £0.2m (2015: £0.2m) and other (non-cash) finance expenses associated with the unwinding of discounts on provisions were £0.1m (2015: £0.2m).

TAXATION

The statutory tax credit totalled £1.8m (2015: charge £2.7m) on a statutory profit before tax of £16.8m (2015: £17.8m). The effective tax rate for the period is a credit of 11% (2015: charge of 15%), reflecting the geographic split of taxable profits for 2016, the finalisation of the 2015 tax returns and the positive outcome of certain tax enquiries.

Prior period adjustments related to the positive outcome of certain tax enquiries and taxation payable in the US where legislation concerning the timing of deductibility of certain expenditure was passed by Congress after the 2015 financial statements were approved but before we filed our US tax returns. Hence

we were able to take the benefit of this in our tax filings but we had not assumed such a benefit when calculating our tax liability at the time of approving the 2015 financial statements.

EARNINGS PER SHARE

Basic earnings per share were 74.2p (2015: 56.1p) and diluted earnings per share were 72.8p (2015: 54.6p).

NET CASH AND CASH FLOW

Net cash at the end of the year was £2.0m (2015: net debt of £13.2m). At the year end, our main bank facility was £30.9m, which is US dollar denominated and committed to 30 November 2019.

In the year we invested £3.3m in the Argus acquisition and £6.8m (2015: £6.2m) in property, plant and equipment and new product development. In the Protection & Defence business this focused on the completion of our new product development programme, Project Fusion. In Dairy we invested in the development of our iMilk600 milk meter, the completion of our new claw and the hardware required to support our Cluster Exchange service offering.

Operating activities generated cash of £33.1m (2015: £24.1m), representing 152% of operating profit (2015: 119%). Through disciplined financial management the Group has driven strong conversion of profits into cash. All elements of working capital are impacted by the timing of shipments to customers and foreign exchange which has increased inventories, receivables and payables.

UK RETIREMENT BENEFIT OBLIGATIONS

The balance, as measured under IAS 19 (revised), associated with the Group's UK retirement benefit obligation, which has been closed to future accrual, has moved from a £16.6m deficit at 30 September 2015 to a £40.0m deficit at 30 September 2016.

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

During 2016, the Group paid total contributions of £0.7m (2015: £0.8m).

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

The Trustee is currently undertaking the 31 March 2016 valuation, the results of which are due by 30 June 2017.

RESEARCH AND DEVELOPMENT

Intangible assets relating to development costs totalling £19.2m (2015: £16.2m) form a significant part of the balance sheet as we invest in new product development. This can be seen from our expanding product range in both Protection & Defence and Dairy. The annual charge for amortisation of development costs was £2.5m (2015: £1.9m).

Our total investment in research and development (capitalised and expensed) amounted to £8.3m (2015: £7.1m), 6% of revenue, of which £4.3m (2015: £3.9m) was customer funded and has been recognised as revenue.

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

We have started to see the benefits of these efforts, which underpin the long-term prosperity of the Group, during our 2016 financial year.

FOREIGN EXCHANGE SENSITIVITY

The Group reports trading results of overseas companies based on average rates of exchange compared with sterling over the year. This income statement translation exposure is not hedged as this is an accounting rather than cash exposure and as a result the 2016 adjusted operating profit would be impacted by £0.6m (2015: £0.7m) for each 5¢ movement in the average US dollar rate.

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 6.32p per ordinary share (2015: 4.86p). This, combined with the 2016 interim dividend of 3.16p, results in a full year dividend of 9.48p (2015: 7.29p), up 30%.

OPPORTUNITIES

The acquisitions we completed late in 2015 and early 2016 have been successfully integrated into the existing Group, enhancing our global market leading positions and delivering further opportunities for growth. We will continue to invest in innovative new technologies and products and in building our brand and market reach to bring these opportunities to fruition.

BOARD CHANGES

Rob Rennie joined as Chief Executive on 1 December 2015.

After serving as a Non-Executive Director since December 2012 Richard Wood stood down at the AGM in January 2016.

Chloe Ponsonby was appointed on 1 March 2016. Chloe is a founding partner at the Lazarus Partnership, an independent equity research and advisory firm.

After eight years as Group Finance Director, Andrew Lewis will step down on 30 November 2016.

The Board thanks Andrew for his significant contribution to Avon's success. He has been instrumental in the successful transformation of the Group, helping to build the foundations that have led to the recent consistent growth in profits. His stewardship of the Group's finances has placed it in a good position to take advantage of the many opportunities ahead. The Board wishes him every success in the future.

The Board is pleased to confirm the appointment of Paul Rayner as Interim Group Finance Director with effect from 1 December 2016.

OUTLOOK

Our strategy of integrating new technologies from product development and acquisitions with our existing strong brands and routes to market has created a business that is resilient to adverse market conditions with strong foundations for growth in both divisions.

In our global Protection & Defence business we continue to see a number of higher margin export opportunities, have good visibility of DOD revenues for 2017 and a strong underlying portfolio of non-DOD business which we expect to be enhanced by the increasing impact of the recently launched new products.

In Dairy, after the weak market conditions in 2016, the acquisition of InterPuls and the encouraging gains in Milkrite | InterPuls market share provide us with significant opportunity as the milk prices improve in 2017. This, together with the sales and distribution platforms we have established in China and Brazil to service these rapidly growing emerging markets, means we have a Dairy business with excellent short and longer term growth prospects.

The majority of the Group's earnings are US dollar denominated and hence the continued strengthening of the US dollar against Sterling provides a potentially significant foreign exchange translation tailwind in 2017 should it be maintained throughout the year.



David Evans

Chairman

16 November 2016



Rob Rennie

Chief Executive Officer

16 November 2016

Consolidated Statement of Comprehensive Income
for the year ended 30 September 2016

	Note	Year to 30 Sept 2016			Year to 30 Sept 2015		
		Statutory £'000	Adjustments £'000	Adjusted £'000	Statutory £'000	Adjustments £'000	Adjusted £'000
Continuing operations							
Revenue	2	142,884	-	142,884	134,318	-	134,318
Cost of sales		(90,159)	-	(90,159)	(88,618)	-	(88,618)
Gross profit		52,725	-	52,725	45,700	-	45,700
Selling and distribution costs		(17,984)	-	(17,984)	(13,007)	-	(13,007)
General and administrative expenses		(17,111)	4,133	(12,978)	(13,807)	1,329	(12,478)
Operating profit	2	17,630	4,133	21,763	18,886	1,329	20,215
Operating profit is analysed as:							
Before depreciation and amortisation		29,982	826	30,808	26,981	286	27,267
Depreciation and amortisation		(12,352)	3,307	(9,045)	(8,095)	1,043	(7,052)
Operating profit		17,630	4,133	21,763	18,886	1,329	20,215
Finance income		11	-	11	45	-	45
Finance costs		(165)	-	(165)	(192)	-	(192)
Other finance expense		(675)	642	(33)	(901)	654	(247)
Profit before taxation		16,801	4,775	21,576	17,838	1,983	19,821
Taxation	4	1,824	(924)	900	(2,672)	(253)	(2,925)
Profit for the year from continuing operations		18,625	3,851	22,476	15,166	1,730	16,896
Discontinued operations – loss for the year		(346)	346	-	(1,500)	1,500	-
Profit for the year		18,279	4,197	22,476	13,666	3,230	16,896

Consolidated Statement of Comprehensive Income
for the year ended 30 September 2016 (continued)

	Note	Year to 30 Sept 2016			Year to 30 Sept 2015		
		Statutory £'000	Adjustments £'000	Adjusted £'000	Statutory £'000	Adjustments £'000	Adjusted £'000
Other comprehensive (expense)/income							
Actuarial loss recognised on retirement benefit scheme (*)		(23,084)	-	(23,084)	(1,040)	-	(1,040)
Deferred tax relating to retirement benefit scheme (*)		3,471	-	3,471	3,321	-	3,321
Net exchange differences offset in reserves (**)		7,903	-	7,903	3,311	-	3,311
Cash flow hedges (**)		(898)	-	(898)	-	-	-
Tax relating to exchange differences offset in reserves (**)		(1,698)	-	(1,698)	-	-	-
Other comprehensive (expense)/income for the year, net of taxation		(14,306)	-	(14,306)	5,592	-	5,592
Total comprehensive income for the year		3,973	4,197	8,170	19,258	3,230	22,488
Earnings per share							
Basic	6	60.4p		74.2p	45.4p		56.1p
Diluted	6	59.2p		72.8p	44.2p		54.6p
Earnings per share from continuing operations							
Basic	6	61.5p		74.2p	50.4p		56.1p
Diluted	6	60.3p		72.8p	49.0p		54.6p

* 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 2016

	Note	As at 30 Sept 16 £'000	As at 30 Sept 15 £'000
Assets			
Non-current assets			
Intangible assets		47,357	41,309
Property, plant and equipment		30,112	28,212
Deferred tax assets		7,775	4,574
		85,244	74,095
Current assets			
Inventories		20,648	17,123
Trade and other receivables		19,968	17,023
Derivative financial instruments		-	3
Cash and cash equivalents	10	4,495	332
		45,111	34,481
Liabilities			
Current liabilities			
Borrowings	10	2,499	2,350
Trade and other payables		24,185	17,150
Derivative financial instruments		895	-
Provisions for liabilities and charges	7	745	855
Current tax liabilities		8,317	6,823
		36,641	27,178
Net current assets			
		8,470	7,303
Non-current liabilities			
Borrowings	10	-	11,143
Deferred tax liabilities		10,007	9,734
Retirement benefit obligations		39,951	16,605
Provisions for liabilities and charges	7	1,755	1,712
		51,713	39,194
Net assets			
		42,001	42,204
Shareholders' equity			
Ordinary shares	8	31,023	31,023
Share premium account		34,708	34,708
Capital redemption reserve		500	500
Translation reserve		8,584	2,379
Accumulated losses		(32,814)	(26,406)
Total equity		42,001	42,204

Consolidated Cash Flow Statement
for the year ended 30 September 2016

	Note	Year to 30 Sept 16 £'000	Year to 30 Sept 15 £'000
Cash flows from operating activities			
Cash generated before the impact of exceptional items		33,146	24,053
Cash impact of exceptional items		(449)	(1,192)
Cash generated from continuing operations		32,697	22,861
Cash used in discontinued operations		(317)	(1,529)
Cash generated from operations	9	32,380	21,332
Finance income received		11	45
Finance costs paid		(320)	(192)
Retirement benefit deficit recovery contributions		(700)	(800)
Tax paid		(1,031)	(3,270)
Net cash generated from operating activities		30,340	17,115
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		50	21
Purchase of property, plant and equipment		(3,565)	(3,222)
Capitalised development costs and purchased software		(3,273)	(2,961)
Acquisition of subsidiaries		(3,300)	(21,249)
Net cash used in investing activities		(10,088)	(27,411)
Cash flows from financing activities			
Net movements in loans		(11,973)	10,605
Dividends paid to shareholders		(2,430)	(1,859)
Purchase of own shares		(1,812)	(1,152)
Net cash (used in)/generated from financing activities		(16,215)	7,594
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		4,037	(2,702)
Cash, cash equivalents and bank overdrafts at beginning of the year		332	2,925
Cash, cash equivalents and bank overdrafts acquired on acquisitions		-	12
Effects of exchange rate changes		126	97
Cash, cash equivalents and bank overdrafts at end of the year	10	4,495	332

**Consolidated Statement of Changes in Equity
for the year ended 30 September 2016**

	Note	Share capital £'000	Share Premium £'000	Other reserves £'000	Accumulated losses £'000	Total £'000
At 1 October 2014		31,023	34,708	(432)	(40,283)	25,016
Profit for the year		-	-	-	13,666	13,666
Unrealised exchange differences on overseas investments		-	-	3,311	-	3,311
Actuarial loss recognised on retirement benefit scheme		-	-	-	(1,040)	(1,040)
Deferred tax relating to retirement benefit scheme		-	-	-	3,321	3,321
Total comprehensive income for the year		-	-	3,311	15,947	19,258
Dividends paid	5	-	-	-	(1,859)	(1,859)
Movement in shares held by the employee benefit trust		-	-	-	(971)	(971)
Movement in respect of employee share scheme		-	-	-	85	85
Deferred tax relating to employee share schemes		-	-	-	675	675
At 30 September 2015		31,023	34,708	2,879	(26,406)	42,204
Profit for the year		-	-	-	18,279	18,279
Net exchange differences offset in reserves		-	-	7,903	-	7,903
Tax relating to exchange differences offset in reserves		-	-	(1,698)	-	(1,698)
Cash flow hedges		-	-	-	(898)	(898)
Actuarial loss recognised on retirement benefit scheme		-	-	-	(23,084)	(23,084)
Deferred tax relating to retirement benefit scheme		-	-	-	3,471	3,471
Total comprehensive income for the year		-	-	6,205	(2,232)	3,973
Dividends paid	5	-	-	-	(2,430)	(2,430)
Movement in shares held by the employee benefit trust		-	-	-	(1,697)	(1,697)
Movement in respect of employee share scheme		-	-	-	83	83
Deferred tax relating to employee share schemes		-	-	-	(132)	(132)
At 30 September 2016		31,023	34,708	9,084	(32,814)	42,001

Other reserves consist of the capital redemption reserve of £500,000 (2015: £500,000) and the translation reserve of £8,584,000 (2015: £2,379,000).

All movements in other reserves relate to the translation reserve.

1. Basis of preparation

- a) These financial results do not comprise statutory accounts for the year ended 30 September 2016 within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2015 were approved by the Board of Directors on 17 November 2015 and delivered to the Registrar of Companies. Statutory accounts for the year ended 30 September 2016 will be delivered to the Registrar following the Company's Annual General Meeting. The report of the auditors on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.
- b) This financial information has been prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union (collectively 'IFRSs') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.
- c) Certain statements in this announcement constitute forward-looking statements. Any statement in this announcement that is not a statement of historical fact including, without limitation, those regarding the Company's future expectations, operations, financial performance, financial condition and business is a forward-looking statement. Such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this announcement and the Company undertakes no obligation to update its view of such risks and uncertainties or to update the forward-looking statements contained herein. Nothing in this announcement should be constructed as a profit forecast.
- d) Recent accounting developments

The following standards, amendments and interpretations have been issued by the International Accounting Standards Board (IASB) or by the IFRIC.

The Group's approach to these is as follows:

- i) Standards, amendments and interpretations effective in 2016:

No new standards or amendments have been adopted for the year ended 30 September 2016.

- ii) Standards, amendments and interpretations to existing standards issued but not yet effective in 2016 and not adopted early:

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 October 2015, have not been adopted early and are not expected to have a material impact on the Group financial statements:

- IFRS 9, 'Financial instruments'
- IFRS 14, 'Regulatory Deferral Accounts'
- IFRS 15, 'Revenue from Customer Contracts'

- IFRS 16, 'Leases'
- Amendments to IAS 1, 'Disclosure Initiative'
- Amendments to IAS 7, 'Disclosure Initiative'
- Amendment to IFRS 10 and IAS 28, 'Sale or Contribution of assets between and Investor and its Associate or Joint Venture'
- Amendments to IFRS 10, IFRS 12 and IAS 28, 'Applying the consolidation exemption'
- Amendments to IFRS 11, 'Accounting for Acquisition Interests in Joint Operations'
- Amendments to IAS 12, 'Recognition of Deferred Tax Assets for Unrealised Losses'
- Amendments to IAS 16 and IAS 38, 'Clarification of Acceptable Methods of Depreciation and Amortisation'
- Amendments to IAS 16 and IAS 41, 'Agriculture – Bearer Plants'
- Amendments to IAS 27, 'Equity Method in Separate Financial Statements'
- Annual improvements cycle 2012-2014

2. Segment information

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

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

Business Segments

Year ended 30 September 2016

	Protection & Defence £'000	Dairy £'000	Unallocated £'000	Group £'000
Revenue	100,917	41,967		142,884
Segment result before depreciation, amortisation, exceptional items, acquisition costs and defined benefit pension scheme costs	22,417	9,791	(1,400)	30,808
Depreciation of property, plant and equipment	(3,895)	(1,968)	(28)	(5,891)
Amortisation of development costs and software	(2,536)	(608)	(10)	(3,154)
Segment result before amortisation of acquired intangibles, exceptional items, acquisition costs and defined benefit pension scheme costs	15,986	7,215	(1,438)	21,763
Amortisation of acquired intangibles	(1,487)	(1,820)		(3,307)
Exceptional items and acquisition costs	(506)			(506)
Defined benefit pension scheme costs			(320)	(320)
Segment result	13,993	5,395	(1,758)	17,630
Finance income			11	11
Finance costs			(165)	(165)
Other finance expense			(675)	(675)
Profit before taxation	13,993	5,395	(2,587)	16,801
Taxation			1,824	1,824
Profit for the year from continuing operations	13,993	5,395	(763)	18,625
Discontinued operations – loss for the year			(346)	(346)
Profit for the year	13,993	5,395	(1,109)	18,279
Segment assets	69,240	48,624	12,491	130,355
Segment liabilities	14,180	12,383	61,791	88,354
Other segment items				
Capital expenditure				
- intangible assets	2,616	640	17	3,273
- property, plant and equipment	1,970	1,719	-	3,689

Year ended 30 September 2015

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

3. Adjustments and discontinued operations

	2016	2015
	£'000	£'000
Amortisation of acquired intangible assets	3,307	1,043
Recruitment costs	-	215
Integration costs	506	-
Acquisition costs	-	389
Defined benefit pension scheme administration costs	320	350
Defined benefit pension scheme settlement gain	-	(668)
	4,133	1,329
	2016	2015
	£'000	£'000
Loss on discontinued operations	346	1,500

The tax impact of the above is a £nil reduction in tax payable (2015: £nil). The deferred tax impact gives rise to a credit to the income statement of £924,000 (2015: £253,000).

The recruitment costs in 2015 relate to the recruitment of main Board Directors.

The integration costs relate to the acquisition of the Argus thermal imaging camera business and the relocation of the manufacturing to our Melksham, UK site.

The acquisition costs in 2015 relate to legal and professional fees on the acquisition of Hudstar Systems Inc. and InterPuls S.p.A.

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

The loss for the year on discontinued operations of £346,000 (2015: £1,500,000) relates to dilapidations costs of former leased premises of a business which was disposed of in 2006.

4. Taxation

	2016	2015
	£'000	£'000
United Kingdom	2,943	(578)
Overseas	(4,767)	3,250
	(1,824)	2,672
Deferred tax on the amortisation of acquired intangible assets	924	253
Adjusted tax (credit)/charge	(900)	2,925

The effective tax rate for the year is a credit of 11% (30 September 2015: 15% charge).

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 a credit of 4% (30 September 2015: 15%).

5. Dividends

On 29 January 2016, the shareholders approved a final dividend of 4.86p per qualifying ordinary share in respect of the year ended 30 September 2015. This was paid on 18 March 2016, absorbing £1,473,000 of shareholders' funds.

On 28 April 2016, the Board of Directors declared an interim dividend of 3.16p (2014: 2.43p) per qualifying ordinary share in respect of the year ended 30 September 2016. This was paid on 5 September 2016 absorbing £957,000 (2015: £732,000) of shareholders' funds.

After the balance sheet date the Board of Directors proposed a final dividend of 6.32p per qualifying ordinary share in respect of the year ended 30 September 2016, which will absorb an estimated £1,915,000 of shareholders' funds. Subject to shareholder approval, the dividend will be paid on 17 March 2017 to shareholders on the register at the close of business on 17 February 2017. In accordance with accounting standards this dividend has not been provided for and there are no corporation tax consequences.

6. Earnings per share

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

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

	2016	2015
Weighted average number of ordinary shares in issue used in basic calculations (thousands)	30,276	30,107
Potentially dilutive shares (weighted average) (thousands)	612	830
Fully diluted number of ordinary shares (weighted average) (thousands)	30,888	30,937

	2016	2016	2016	2015	2015	2015
	£'000	Basic eps pence	Diluted eps pence	£'000	Basic eps pence	Diluted eps pence
Profit attributable to equity shareholders of the Company	18,279	60.4	59.2	13,666	45.4	44.2
Loss from discontinued operations	346	1.1	1.1	1,500	5.0	4.8
Profit from continuing operations	18,625	61.5	60.3	15,166	50.4	49.0
Adjustments	3,851	12.7	12.5	1,730	5.7	5.6
Profit excluding loss from discontinued operations, amortisation of acquired intangibles assets, exceptional items, acquisition costs and defined benefit pension scheme costs	22,476	74.2	72.8	16,896	56.1	54.6

7. Provisions for liabilities and charges

	Facility relocation £'000	Property obligations £'000	Total £'000
Balance at 1 October 2014	454	3,365	3,819
Charged in the year	-	1,500	1,500
Unwinding of discount	-	247	247
Payments in the year	(485)	(2,545)	(3,030)
Exchange difference	31	-	31
Balance at 30 September 2015	-	2,567	2,567
Unwinding of discount	-	33	33
Payments in the year	-	(100)	(100)
Balance at 30 September 2016	-	2,500	2,500

8. Share capital

	2016	2015
Number of shares (thousands)	31,023	31,023
Ordinary shares (£'000)	31,023	31,023

9. Cash generated from operations

	2016 £'000	2015 £'000
Continuing operations		
Profit for the year	18,625	15,166
Adjustments for:		
Taxation	(1,824)	2,672
Depreciation	5,891	4,684
Amortisation of intangible assets	6,461	3,411
Defined benefit pension scheme costs/(credit)	320	(318)
Finance income	(11)	(45)
Finance costs	165	192
Other finance expense	675	901
Loss on disposal of intangibles	5	-
Loss on disposal of property, plant and equipment	73	7
Movement in respect of employee share scheme	83	85
Increase in inventories	(422)	(1,264)
(Increase)/decrease in receivables	(677)	4,225
Increase/(decrease) in payables and provisions	3,333	(6,855)
Cash generated from continuing operations	32,697	22,861
Discontinued operations		
Loss for the year	(346)	(1,500)
Increase/(decrease) in payables and provisions	29	(29)
Cash used in discontinued operations	(317)	(1,529)
Cash generated from operations	32,380	21,332
Cash flows relating to the discontinued operations are as follows:		
Cash flows from operating activities	(317)	(1,529)
Cash used in discontinued operations	(317)	(1,529)

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 2015 £'000	Cash flow £'000	Exchange movements £'000	At 30 Sept 2016 £'000
Cash at bank and in hand	332	4,037	126	4,495
Overdraft	-	-	-	-
Net cash and cash equivalents	332	4,037	126	4,495
Debt due in less than 1 year	(2,350)	247	(396)	(2,499)
Debt due in more than 1 year	(11,143)	11,726	(583)	-
	(13,161)	16,010	(853)	1,996

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 2019. 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 2016 and 2015.

InterPuls S.p.A has a fixed term loan of €2.5m which was due for renewal on 31 October 2016. This facility is priced on EURIBOR plus margin of 1.3%.

11. Exchange rates

The following significant exchange rates applied during the year.

	Average rate 2016	Closing rate 2016	Average rate 2015	Closing rate 2015
US Dollar	1.423	1.296	1.542	1.517
Euro	1.282	1.161	1.351	1.359

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. Acquisition

On 8 October 2015 the Group acquired the trade and assets of the Argus thermal imaging business from e2v technologies plc for consideration of £3.3m. Based in Chelmsford UK, Argus is a leading designer and manufacturer of thermal imaging cameras for the first responder and fire markets and further strengthens the Group's product range and distribution capability in these markets.

The book value of the assets acquired was £1.0m and after accounting policy adjustments and fair value adjustments of £1.8m, goodwill of £0.5m was recognised reflecting sales synergies from integration of distribution channels, access to new markets and the workforce of the acquired business.

	Total £'000
Intangible assets recognised on acquisition	2,277
Deferred tax associated with the initial recognition of intangible assets	(455)
Other net assets	991
Goodwill	487
Cash consideration settled at completion	3,300

13. Annual Report & Accounts

Copies of the Directors' report and the audited financial statements for the year ended 30 September 2016 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.

CORPORATE INFORMATION

REGISTERED OFFICE

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Hampton Park West
Semington Road
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Wiltshire
SN12 6NB
Registered in England and Wales No. 32965
V.A.T. No. GB 137 575 643

BOARD OF DIRECTORS

David Evans (Chairman)
Pim Vervaat (Non-Executive Director)
Chloe Ponsonby (Non-Executive Director)
Rob Rennie (Chief Executive)
Andrew Lewis (Group Finance Director)

COMPANY SECRETARY

Miles Ingrey-Counter

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP

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SOLICITORS

TLT LLP

PRINCIPAL BANKERS

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