

# News Release



Strictly embargoed until 07:00 23 November 2011

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

Unaudited results for the year ended 30 September 2011

	<b>30 Sep 2011 £Millions</b>	30 Sep 2010 £Millions
<b>REVENUE</b>	<b>107.6</b>	117.6
<b>EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION &amp; AMORTISATION</b>	<b>15.7</b>	13.6
<b>OPERATING PROFIT</b>	<b>11.1</b>	9.3
<b>PROFIT BEFORE TAX</b>	<b>10.2</b>	7.1
<b>NET DEBT</b>	<b>11.8</b>	12.6
<b>EARNINGS PER SHARE:</b>		
<b>Adjusted - excluding amortisation of intangibles</b>	<b>31.4p</b>	21.9p
<b>Basic</b>	<b>25.2p</b>	15.2p
<b>Dividend per share</b>	<b>3.0p</b>	1.5p

## Financial highlights:

- Operating profit growth of 20% to £11.1m.
- Final dividend increase of 33% to 2.0p reflects business growth and confidence.
- Interest payable halved from £1.0m to £0.5m.
- Earnings per share up 66% to 25.2p.
- Cash generated from continuing operating activities of £12.0m (2010: £13.6m), representing 108% (2010: 147%) of operating profit.
- Update of UK retirement benefit scheme triennial valuation shows it to be 98.4% funded resulting in lower deficit recovery payments.
- Product development program accelerated.

## Operational highlights:

- Operating margins improved 2.4% to 10.3%.
- In Protection & Defence, non US government sales increasing.
- Award of three year IDIQ contract with maximum contract value of approximately \$38m for continued supply of M61 filters.
- Market share of Impulse Mouthpiece Vented liner reached 8% in North America.

**Commenting on the results, Peter Slabbert, Chief Executive said:** *“Our strategy of developing both our rapidly growing Protection & Defence business and our high margin and cash generative Dairy business has proved successful. Despite an uncertain outlook for global defence spending we expect to make further progress and accordingly have accelerated our investment in new product development.”*

**For further enquiries, please contact:**

**Avon Rubber p.l.c.**

Peter Slabbert, Chief Executive

020 7067 0700

Andrew Lewis, Group Finance Director

(until 12 noon)

Fiona Stewart, Corporate Communications Executive

01225 896 840

**Weber Shandwick Financial**

Nick Osborne

020 7067 0700

Stephanie Badjionat

020 7067 0700

*An analyst meeting will be held at 09.30 am this morning at the offices of  
Weber Shandwick Financial, Fox Court, 14 Gray’s Inn Road, London, WC1X 8WS.*

**NOTES TO EDITORS:** Avon Rubber p.l.c. is a world leader in the design, test and manufacture of advanced Chemical, Biological, Radiological and Nuclear (CBRN) respiratory protection solutions to the worlds military, law enforcement, first responder, emergency services, fire and industrial markets. Avon has a unique capability in CBRN protection based on a range of advanced CBRN technologies in respirator design, filtration and compressed air breathing apparatus. This enables Avon to develop specialised solutions that take full account of user requirements. Avon also owns a world leading dairy business manufacturing liners and tubing for the automated milking process. For further information please visit the Group’s website [www.avon-rubber.com](http://www.avon-rubber.com)

## **AVON RUBBER p.l.c.**

### **INTRODUCTION**

Avon has made further progress in 2011, recording significant increases in operating margins, profits and earnings. Operating margins have increased by 2.4% to 10.3% with an operating profit of £11.1m (2010: £9.3m). Our strategy of developing both our rapidly growing Protection & Defence business and our high margin and cash generative Dairy business has proved successful.

Protection & Defence continues to win new customers at an increasing rate and, with the cash we are generating and the debt capacity we now have, we have been able to increase our investment in both sales and marketing activities and new product development programs, laying the foundation for further growth. A new program of product range expansion and enhancement (Project Fusion) has been initiated and this investment is expected to provide further organic growth from 2013.

The profitability of our Dairy business has improved significantly year on year reflecting the full year impact of the change in cost base through the outsourcing of European production and the increase in market share from expansion into new territories and through new products.

### **GROUP RESULTS**

Revenue decreased by 8% to £107.6m (2010: £117.6m). Protection & Defence was down 14% to £77.4m (2010: £90.2m) due to lower revenue at Avon Engineered Fabrications (down £15m) as a result of lower Department of Defence (DoD) orders for fuel and water storage tanks. Dairy was up 10% to £30.2m (2010: £27.4m). Foreign exchange translation has provided a slight headwind to the Group's results in 2011 with the US \$/£ average rate being \$1.60 (2010: \$1.55) which negatively impacted operating profit by £0.3m.

Operating profit before depreciation and amortisation (EBITDA) rose 16% to £15.7m (2010: £13.6m).

Operating profit rose 20% to £11.1m (2010: £9.3m).

Interest costs fell by 51% to £0.5m (2010: £1.0m) reflecting the improved cost of funding negotiated as part of our new longer term financing agreement.

The Group adjusted effective tax rate fell from 34% to 29% to give a profit for the year of £7.1m (2010: £4.3m) which equates to earnings of 25.2p per share (2010: 15.2p).

Net debt reduced to £11.8m (2010: £12.6m) and with long term funding now in place the Group has the debt capacity to support further growth.

## SEGMENTAL PERFORMANCE

### PROTECTION & DEFENCE

Protection & Defence represents 72% (2010: 77%) of total Group revenues. Revenue fell by 14% to £77.4m (2010: £90.2m) due to lower revenue at Avon Engineered Fabrications (AEF) (down £15m) due to lower Department of Defense (DoD) orders for fuel and water storage tanks. Operating profit increased to £7.5m (2010: £6.5m) and EBITDA was £11.6m (2010: £10.4m), representing a return on sales (defined as EBITDA divided by revenue) of 15.0% (2010: 11.5%).

In May 2008 our Cadillac facility was successful in obtaining a single source \$112m, five year full rate production (FRP) order from the US DoD for the M50 military respirator at the rate of 100,000 mask systems per annum. The DoD also exercised its 'requirements' option which extends the contract for a further five years allowing it to take up to a further 200,000 mask systems per annum over a ten year period.

In 2011 we delivered product to the value of \$71.8m (2010: \$68.8m) to the DoD against these and other associated spares contracts. There were total orders in hand of \$46.7m at 30 September 2011, of which \$41.1m are for delivery in 2012, giving us good visibility on this long term contract.

Growth outside our core DoD customer base has been strong with increased orders and sales of the C50 (the commercial non-DoD variant of the M50 mask). Significant order wins from customers in Saudi Arabia, Kuwait, France and our first foreign military sale through the DoD led to an improved sales mix.

In the UK, the Ministry of Defence (MoD) exercised the third year of its three year option contract for S10 masks which was worth £1.6m. The production record for the MoD shows no recorded quality problems and an excellent on time delivery record but despite this and the availability of the world leading replacement product in the 50 series respirator, the MoD remain committed to the decision it made in 2004 to change to an alternative product and supplier from 2012 and our contract has now come to an end. The UK MoD continue to order the enhanced M53 respirator, a higher specification derivative of the M50, for UK Special Forces.

The success of Avon's unique ST53 product, which combines our Special Forces military mask with a set of self contained breathing apparatus has been apparent in both the US Homeland Security and foreign military markets.

The fire market in the US experienced difficult market conditions due to a reduction and delay in the release of federal funding to US fire departments.

AEF, which has historically experienced irregular order patterns, has been affected by lower DoD order releases and after a reasonable start to the year, the subsequent reduction in order intake adversely impacted revenue by £15m.

Our Protection & Defence business is well placed to meet the challenges of a continuing period of instability in the global defence market. Providing safety critical equipment to the warfighter under a long term sole source contract with the DoD provides a degree of certainty in our biggest market whilst our rapid growth in homeland security and military markets around the globe demonstrates the success of our strategy of investing in sales, marketing and product development.

Budget funding for our ten year sole source respirator program with the US DoD has been largely unaffected although the procedural process of doing business with the US government has slowed. Despite continued downward pressure on military budgets globally and in particular uncertainty about the size and timing of the approval of US DoD budgets, we expect spend on personal protective equipment for the warfighter to remain stable in 2012 although the timing of orders from customers may again be unpredictable as the US budget works its way through Continuing Resolution.

In product development, a new program of product range expansion and enhancement (Project Fusion) has been initiated and this investment is expected to provide further organic growth from 2013.

#### **DAIRY**

Revenues for the Dairy business were up 10% at £30.2m (2010: £27.4m) which generated an operating profit of £5.5m (2010: £4.6m). EBITDA was £5.9m (2010: £5.0m), giving a return on sales (as defined above) of 19.6%, up from 18.3% in 2010.

The improved profitability in our Dairy business resulted from the full year benefit of the outsourcing of European manufacturing and growth in our own brand, Milk-Rite in both North America and Europe. Increased market share in the US for our revolutionary Impulse mouthpiece vented liner (IP-MV), launched in 2010 and which had achieved an 8% market share in North America by the end of 2011, also enhanced profitability.

While input costs have risen substantially during the period and remain volatile, we have successfully passed these increases on to our customers. The pass through of raw material price rises contributed £1.5m to the increase in revenue in the year but has diluted margin in percentage terms.

#### **FINANCE EXPENSES**

Net interest costs reduced to £0.5m (2010: £1.0m) reflecting the improved cost of funding negotiated as part of our new longer term financing arrangement. Other (non-cash) finance expenses associated with the Group's UK retirement benefit scheme and the unwinding of discount rates on provisions were £0.4m (2010: £1.2m). The decrease in the pension cost resulted from a change in actuarial assumptions, the most significant of which was the move to CPI from RPI for the valuation of deferred pension benefits.

## **TAXATION**

The tax charge totalled £3.1m (2010: £2.8m) on profit before tax of £10.2m (2010: £7.1m). In 2011 the Group paid tax in the US, but not in the UK due to brought forward tax losses. The effective tax rate for the period was 30% (2010: 39%). The adjusted effective tax rate was 29% (2010: 34%), defined as the tax charge divided by the profit before tax, excluding the charge relating to other finance expense. The reduced tax rate reflects a combination of the geographical split of taxable profits and the lower other finance expense relating to the pension scheme. In 2011 the US Federal Tax rate was 34% and the Group's adjusted effective tax rate reflects the predominance of US revenues and earnings. The US tax rules were temporarily changed in 2011 to allow an immediate deduction for capital items purchased within a specific period, resulting in an increase in the deferred tax liability. Unrecognised deferred tax assets in respect of tax losses in the UK amounted to £5.0m (2010: £6.5m).

## **EARNINGS PER SHARE**

The basic earnings per share were 25.2p (2010: 15.2p).

Adjusted earnings per share were 31.4p (2010: 21.9p). Adjusted earnings per share exclude the impact of amortisation of intangibles.

## **NET DEBT AND CASHFLOW**

Net debt at the year-end was £11.8m (2010: £12.6m). Total bank facilities were £24.6m, the majority of which are US \$ denominated and committed to 30 March 2015.

In the year we invested £5.7m (2010: £5.6m) in property, plant and equipment and new product development, particularly in the Protection & Defence business where we secured NIOSH approval for Avon's powered air product, Avon EZAir and launched the first product in this new range to the market in the second half of the year.

Continuing operating activities generated cash of £12.0m (2010: £13.6m), representing 108% of operating profit (2010: 147%) and we invested £3.9m (2010: £0.3m) in working capital to support final quarter DoD deliveries. In September we delivered \$11m of M61 filters under the IDIQ contract awarded in August which added to our receivables balance at the year-end. This together with £15m lower revenues at AEF resulted in the trade working capital to revenue ratio increasing to 21.0% (2010: 14.6%).

## **UK RETIREMENT BENEFIT OBLIGATIONS**

The balance, as measured under IAS 19, associated with the Group's UK retirement benefit obligations, which has been closed to future accrual, has moved from a £6.3m deficit at 30 September 2010 to a £0.3m surplus at 30 September 2011. This movement has resulted from a change in the assumption related to the valuation of deferred members' benefits from an RPI to a CPI basis and an increase in asset values, offset by more prudent long term inflation and mortality assumptions.

The triennial actuarial valuation due in 2012 was brought forward to 31 March 2011 by agreement with the pension scheme Trustee. The valuation shows the scheme to be 98.4% funded on a continuing basis and the Company has reached an agreement with the Trustee on future contributions which has resulted in a reduction in the amounts payable under the deficit recovery plan.

During 2011, the Company paid total contributions of £0.9m. Following the updated valuation, the Company has agreed to honour the payment of £0.5m due in 2012 under the previous deficit recovery plan. Annual contributions for 2013 to 2016 will reduce to £0.3m.

## **RESEARCH AND DEVELOPMENT**

Intangible assets totalling £10.5m (2010: £8.8m) 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 (2010: £1.9m).

Our total investment in research and development (capitalised and expensed) amounted to £6.6m (2010: £2.3m) representing 6.1% (2010: 2.0%) of revenue, of which £1.7m (2010: £1.2m) was customer funded.

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

We expect to see the benefits of these efforts, which underpin the long term prosperity of the Group, over the next three years.

## **DIVIDEND**

Based on the Group's improved profitability, cash generation, agreement of a revised deficit recovery plan with the pension scheme Trustee and the confidence the Board has in the Group's future prospects, the Board is pleased to propose a 33% increase in the final dividend to shareholders of 2.0p per ordinary share (2010: 1.5p). This, combined with the 2011 interim dividend of 1.0p, makes a full year dividend of 3.0p (2010:1.5p).

## **OPPORTUNITIES**

Over recent years we have successfully focused the business in our chosen areas of Protection & Defence and Dairy, realigned our cost base and dealt with a number of legacy issues. The nature of our challenge has changed with management now firmly focused on growth and margin enhancement. We are seeing that the global leading positions we already have in our markets are leading to further opportunities for growth. We continue to invest in new technologies and products and in building our brand and market reach to bring these opportunities to fruition.

## **BOARD CHANGES**

After five years of successfully steering the transformation of Avon Rubber, The Rt. Hon. Sir Richard Needham has informed the Board of his intention to stand down as Chairman at the next annual general meeting and David Evans, a current Non-Executive Director, will succeed him. Under Sir Richard's guidance the Group has been restructured and established itself as a profitable market leader in its chosen fields. He has agreed to remain on the Board as a Non-Executive where his highly regarded expertise will continue to support the Group's growth strategy. Prior to David Evans' appointment to the Board in 2007 he was Chief Executive of Chemring plc. David's experience of the defence sector will be invaluable to Avon as the Group enters the next phase of its development.

## **OUTLOOK**

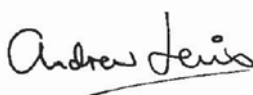
We expect to make further progress despite an uncertain outlook for global defence spending.

In our Protection & Defence business, being the technology leader, operating in global markets, investing in people and products and having an appropriate cost base has allowed us to deliver substantial growth despite the weak economic environment since 2008. We will accelerate our investment in new products and technologies and will focus on operational efficiencies in 2012 to deliver further growth and operating margin improvement.

The Dairy business remains well positioned in a market with long term growth potential. Our cost base is appropriate and stable and we have opportunities to further improve profitability by developing our strong Milk-Rite brand in growing global markets and by enhancing our product portfolio.



Peter Slabbert  
Chief Executive  
23 November 2011



Andrew Lewis  
Group Finance Director  
23 November 2011



**Consolidated Statement of Comprehensive Income**  
for the year ended 30 September 2011

	Note	2011 £'000	2010 £'000
Revenue	2	107,600	117,574
Cost of sales		(77,892)	(89,256)
Gross profit		29,708	28,318
Distribution costs		(4,832)	(4,527)
Administrative expenses		(13,740)	(14,536)
Operating profit	2	11,136	9,255
<b>Operating profit is analysed as:</b>			
Before depreciation and amortisation		15,723	13,577
Depreciation and amortisation		(4,587)	(4,322)
Operating profit		11,136	9,255
Finance income		5	16
Finance costs		(486)	(985)
Other finance expense		(443)	(1,152)
<b>Profit before taxation</b>		<b>10,212</b>	<b>7,134</b>
Taxation	3	(3,094)	(2,808)
<b>Profit for the year</b>		<b>7,118</b>	<b>4,326</b>
<b>Other comprehensive income</b>			
Actuarial gain recognised in retirement benefit schemes		5,738	2,315
Net exchange differences offset in reserves		358	28
<b>Other comprehensive income for the year, net of taxation</b>		<b>6,096</b>	<b>2,343</b>
<b>Total comprehensive income for the year</b>		<b>13,214</b>	<b>6,669</b>
<b>Earnings per share</b>			
Basic	4	25.2p	15.2p
Diluted		23.3p	14.4p

## Consolidated Balance Sheet

at 30 September 2011

	Note	2011 £'000	2010 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets		10,469	8,794
Property, plant and equipment		16,718	16,968
Retirement benefit assets		280	-
		<b>27,467</b>	<b>25,762</b>
<b>Current assets</b>			
Inventories		10,679	11,525
Trade and other receivables		18,461	14,540
Derivative financial instruments		-	113
Cash and cash equivalents	6	559	577
		<b>29,699</b>	<b>26,755</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	6	392	-
Trade and other payables		15,220	15,664
Derivative financial instruments		166	-
Provisions for liabilities and charges		567	1,622
Current tax liabilities		2,040	886
		<b>18,385</b>	<b>18,172</b>
		<b>11,314</b>	<b>8,583</b>
<b>Net current assets</b>			
<b>Non-current liabilities</b>			
Borrowings	6	11,983	13,166
Deferred tax liabilities		2,985	2,517
Retirement benefit obligations		-	7,134
Provisions for liabilities and charges		2,641	2,751
		<b>17,609</b>	<b>25,568</b>
		<b>21,172</b>	<b>8,777</b>
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Ordinary shares		30,723	30,723
Share premium account		34,708	34,708
Capital redemption reserve		500	500
Translation reserve		365	7
Retained earnings		(45,124)	(57,161)
<b>Total equity</b>		<b>21,172</b>	<b>8,777</b>

**Consolidated Cash Flow Statement**  
for the year ended 30 September 2011

	Note	2011 £'000	2010 £'000
<b>Cash flows from operating activities</b>			
Cash generated from continuing operating activities prior to the effect of exceptional items	5	11,974	13,586
Cash effect of exceptional items		-	(1,186)
Cash generated from continuing operations		11,974	12,400
Cash used in discontinued operations		(1,557)	(2,052)
Cash generated from operations	5	10,417	10,348
Finance income received		5	16
Finance costs paid		(476)	(768)
Pension scheme deficit recovery contributions		(869)	(481)
Tax paid		(1,542)	(1,787)
<b>Net cash generated from operating activities</b>		<b>7,535</b>	<b>7,328</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries – deferred consideration		-	(1,291)
Proceeds from sale of property, plant and equipment		17	1,668
Purchase of property, plant and equipment		(2,406)	(5,384)
Purchase of intangible assets		(3,266)	(645)
<b>Net cash used in investing activities</b>		<b>(5,655)</b>	<b>(5,652)</b>
<b>Cash flows from financing activities</b>			
Net movements in loans		(1,334)	612
Dividends paid to shareholders		(706)	-
Dividends paid to non-controlling interests		-	(298)
Purchase of own shares		(250)	(267)
<b>Net cash (used in)/generated from financing activities</b>		<b>(2,290)</b>	<b>47</b>
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	6	(410)	1,723
Cash, cash equivalents and bank overdrafts at beginning of the year	6	577	(1,090)
Effects of exchange rate changes	6	-	(56)
<b>Cash, cash equivalents and bank overdrafts at end of the year</b>	<b>6</b>	<b>167</b>	<b>577</b>

## Consolidated Statement of Changes in Equity

for the year ended 30 September 2011

	Share capital £'000	Share premium £'000	Other reserves £'000	Accumulated losses £'000	Equity shareholders' funds £'000	Non-controlling Interest in equity £'000	Total £'000
As 1 October 2009	29,141	34,708	479	(62,103)	2,225	39	2,264
Profit for the year	-	-	-	4,326	4,326	-	4,326
Unrealised exchange differences on overseas investments	-	-	28	-	28	-	28
Actuarial gain recognised in retirement benefit scheme	-	-	-	2,315	2,315	-	2,315
<b>Total comprehensive income for the year</b>	-	-	28	6,641	6,669	-	6,669
New shares issued	1,582	-	-	-	1,582	-	1,582
Dividend paid to non-controlling interest	-	-	-	-	-	(39)	(39)
Purchase of shares by the employee benefit trust	-	-	-	(1,849)	(1,849)	-	(1,849)
Movement in respect of employee share scheme	-	-	-	150	150	-	150
<b>At 30 September 2010</b>	<b>30,723</b>	<b>34,708</b>	<b>507</b>	<b>(57,161)</b>	<b>8,777</b>	<b>-</b>	<b>8,777</b>
Profit for the year	-	-	-	7,118	7,118	-	7,118
Unrealised exchange differences on overseas investments	-	-	358	-	358	-	358
Actuarial gain recognised in retirement benefit scheme	-	-	-	5,738	5,738	-	5,738
<b>Total comprehensive income for the year</b>	-	-	358	12,856	13,214	-	13,214
Dividends paid	-	-	-	(706)	(706)	-	(706)
Purchase of shares by the employee benefit trust	-	-	-	(250)	(250)	-	(250)
Movement in respect of employee share schemes	-	-	-	137	137	-	137
<b>At 30 September 2011</b>	<b>30,723</b>	<b>34,708</b>	<b>865</b>	<b>(45,124)</b>	<b>21,172</b>	<b>-</b>	<b>21,172</b>

Other reserves consist of the capital redemption reserve of £500,000 (2010: £500,000) and the translation reserve of £365,000 (2010: £7,000). All movements in other reserves relate to the translation reserve.

## NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS

### 1. Basis of preparation

- (a) These financial results do not comprise statutory accounts for the year ended 30 September 2011 within the meaning of Section 434 of the Companies Act 2006. Those financial statements have not yet been delivered to the Registrar, nor have the auditors reported on them. Statutory accounts for the year ended 30 September 2010 were approved by the Board of Directors on 24 November 2010 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.
- (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.

## 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 Board of Directors and the Group Executive team.

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

### Business Segments

Year ended 30 September 2011	Protection & Defence £000	Dairy £000	Unallocated £000	Group £000
Revenue	77,438	30,162		107,600
Segment result before depreciation and amortisation	11,630	5,911	(1,818)	15,723
Depreciation of property, plant and equipment	(2,396)	(387)	(33)	(2,816)
Amortisation of intangibles	(1,741)	(28)	(2)	(1,771)
Segment result	7,493	5,496	(1,853)	11,136
Finance income			5	5
Finance cost			(486)	(486)
Other finance expense			(443)	(443)
Profit before taxation	7,493	5,496	(2,777)	10,212
Taxation			(3,094)	(3,094)
Profit for the year	7,493	5,496	(5,871)	7,118
Segment assets	47,191	7,456	2,519	57,166
Segment liabilities	7,324	3,346	25,324	35,994
<b>Other segment items</b>				
Capital expenditure				
- intangible assets	3,310	41	-	3,351
- property, plant and equipment	1,602	828	26	2,456

Year ended 30 September 2010

	Protection & Defence £000	Dairy £000	Unallocated £000	Group £000
Revenue	90,167	27,407	-	117,574
Segment result before depreciation and amortisation	10,414	5,023	(1,860)	13,577
Depreciation of property, plant and equipment	(2,017)	(377)	(28)	(2,422)
Amortisation of intangibles	(1,882)	(9)	(9)	(1,900)
Segment result	6,515	4,637	(1,897)	9,255
Finance income			16	16
Finance cost			(985)	(985)
Other finance expense			(1,152)	(1,152)
Profit before taxation	6,515	4,637	(4,018)	7,134
Taxation			(2,808)	(2,808)
Profit for the year	6,515	4,637	(6,826)	4,326
Segment assets	42,673	7,185	2,659	52,517
Segment liabilities	10,176	2,673	30,891	43,740

#### Other segment items

Capital expenditure				
- intangible assets	639	6	-	645
- property, plant and equipment	4,387	489	58	4,934

#### Geographical segments by origin

Year ended 30 September 2011

	UK £000	USA £000	Group £000
Revenue	14,847	92,753	107,600
Non-current assets	2,611	24,856	27,467

Year ended 30 September 2010

	UK £'000	USA £'000	Group £'000
Revenue	15,141	102,433	117,574
Non-current assets	3,600	22,162	25,762

### 3. Taxation

The split of the tax charge between current and deferred is as follows:

	2011 £'000	2010 £'000
Overseas current tax	2,268	2,031
Overseas adjustment in respect of previous periods	365	11
Total current tax	2,633	2,042
Deferred tax – current year	267	777
Deferred tax – adjustment in respect of previous periods	194	(11)
Total deferred tax	461	766
Total tax charge	3,094	2,808

### 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 share in respect of the Performance Share Plan. Adjusted earnings per share adds back to profit the effect of the amortisation of intangible assets.

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

	2011	2010
Weighted average number of ordinary shares in issue used in basic calculation (thousands)	28,270	28,460
Potentially dilutive shares (weighted average) (thousands)	2,320	1,659
Fully diluted number of ordinary shares (weighted average) (thousands)	30,590	30,119

	2011 £'000	2011 Basic eps pence	2011 Diluted eps pence	2010 £'000	2010 Basic eps pence	2010 Diluted eps pence
Profit attributable to equity shareholders of the Company	7,118	25.2	23.3	4,326	15.2	14.4
Amorisation of intangible assets	1,771			1,900		
Profit excluding amortisation of intangible assets	8,889	31.4	29.1	6,226	21.9	20.7



## 5. Cash generated from operations

	2011 £'000	2010 £'000
Continuing operations		
Profit for the financial year	7,118	4,326
Adjustments for:		
Taxation	3,094	2,808
Depreciation	2,816	2,422
Amortisation of intangible assets	1,771	1,900
Finance income	(5)	(16)
Finance costs	486	985
Other finance expense	443	1,152
Profit on disposal of property, plant and equipment	(1)	(1)
Loss on disposal of intangible assets	-	12
Movement in respect of employee share scheme	137	150
Decrease in inventories	1,001	347
(Increase)/decrease in receivables	(3,543)	183
Decrease in payables and provisions	(1,343)	(1,868)
<b>Cash generated from continuing operations</b>	<b>11,974</b>	<b>12,400</b>
<b>Analysed as:</b>		
Cash generated from continuing activities prior to the effect of exceptional operating items	11,974	13,586
Cash effect of exceptional operating items	-	(1,186)
Discontinued operations		
Decrease in payables and provisions	(1,557)	(2,052)
<b>Cash used in discontinued operations</b>	<b>(1,557)</b>	<b>(2,052)</b>
<b>Cash generated from operations</b>	<b>10,417</b>	<b>10,348</b>

Cash flows relating to the discontinued operations are as follows:

	2011 £'000	2010 £'000
Cash flows from operating activities	(1,557)	(2,052)
<b>Cash used in discontinued operations</b>	<b>(1,557)</b>	<b>(2,052)</b>

## 6. Analysis of net debt

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

	At 1 Oct 2010	Cash flow	Exchange	At 30 Sept
	£000	£000	Movements	2011
			£000	£000
Cash at bank and in hand	577	(18)	-	559
Overdrafts	-	(392)	-	(392)
Net cash and cash equivalents	577	(410)	-	167
Debt due over 1 year	(13,166)	1,334	(151)	(11,983)
	(12,589)	924	(151)	(11,816)

On 30 September 2010 the Group agreed new bank facilities with Barclays Bank and Comerica Bank. The Barclays facility comprises a revolving credit facility of £5m and \$15.5m and expires on 30 March 2015. The Comerica facility is a \$15m revolving credit facility and expires on 30 September 2014. These facilities are priced on average at the appropriate currency LIBOR plus a margin of 2% and include financial covenants which are measured on a quarterly basis. The Group was in compliance with its financial covenants during 2011 and 2010.

## 7. Dividends

On 3 March 2011, the shareholders approved a final dividend of 1.5p per qualifying ordinary share in respect of the year ended 30 September 2010. This was paid on 8 April 2011 absorbing £424,000 of shareholders' funds. No interim dividend was paid in the prior year.

On 20 April 2011, the Board of Directors approved an interim dividend of 1.0p per qualifying ordinary share in respect of the year ended 30 September 2011. This was paid on 8 September 2011 absorbing £282,000 of shareholders' funds.

After the balance sheet date the Board of Directors proposed a final dividend of 2.0p per qualifying ordinary share in respect of the year ended 30 September 2011, which will absorb an estimated £588,000 of shareholders' funds. Subject to shareholder approval, the dividend will be paid on 9 March 2012 to shareholders on the register at the close of business on 10 February 2012. In accordance with accounting standards the dividend has not been provided for and there are no corporation tax consequences.

## 8. Annual Report & Accounts

Copies of the Directors' report and the audited financial statements for the year ended 30 September 2011 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. (Telephone +44 (0)1225 896871). Full audited financial statements will be available on the Company's website at [www.avon-rubber.com](http://www.avon-rubber.com).