News Release

Strictly embargoed until 07:00 26 November 2009

AVON RUBBER p.l.c.

(“Avon”, the “Group” or the “Company”)

Unaudited results for the year ended 30 September 2009

	30 Sep 2009 £Millions	30 Sep 2008 £Millions
CONTINUING OPERATIONS		
REVENUE	**91.7**	54.6
EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION AND EXCEPTIONAL ITEMS	**8.6**	(0.7)
OPERATING PROFIT/(LOSS) (EXCLUDING EXCEPTIONAL ITEMS)	**4.6**	(4.1)
OPERATING PROFIT/(LOSS)	**2.1**	(12.6)
PROFIT/(LOSS) BEFORE TAX (EXCLUDING EXCEPTIONAL ITEMS)	**3.5**	(3.9)
NET DEBT	**13.6**	15.1
EARNINGS/(LOSS) PER SHARE:		
Adjusted - excluding exceptional items and amortisation of intangibles	**12.5p**	(3.4)p
- excluding exceptional items	**6.3p**	(9.3)p
Basic	**(0.6)p**	(68.4)p
Continuing operations	**(2.6)p**	(39.1)p

Highlights:

- £8.7m turnaround in operating profit (before exceptional items) from a £4.1m loss in 2008 to £4.6m profit in 2009.
- Cash generated from continuing operating activities (before exceptional items) of £7.3m.
- Order intake in Protection & Defence of £54.5m, including significant orders from UK MoD (£5.5m) and US DoD (£34.0m), leaving a closing order book of £69m.
- Manufacturing capability for the 50 Series mask and associated filters for the DoD contract demonstrated and efficiency improvements delivered.
- Delivery of the DoD contract requirements to schedule.

- Commenced the relocation of European dairy manufacturing from the UK to a subcontractor based in the Czech Republic, due to complete in the first half of 2010.
- Disposal of our European mixing facility in November 2008 for £2m.
- Completion of the sale and leaseback of our two US Dairy facilities, realising $6m of cash to pay down debt.
- Addressing the UK cost base including the announcement of the closure of the UK defined benefit pension scheme to future accrual of benefits, effective 1 October 2009.

Commenting on the results, Peter Slabbert, Chief Executive said: *"The 2009 results demonstrate that we can deliver in our chosen markets. Our strong order book, dominant market positions in defence respiratory protection and dairy liners, supported by technologically superior products, growing brand strength and high competitive entry barriers, should enable us to continue to improve profit margins. We are increasing investment in product development and routes to market to aid our business growth."*

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)
	From 27 November: 01225 896 831
Fiona Stewart, Corporate Communications Executive	01225 896 871
Weber Shandwick Financial	
Nick Oborne	020 7067 0700
Clare Thomas	020 7067 0700

An analyst meeting will be held at 09:00 for 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

AVON RUBBER p.l.c.

INTRODUCTION

Avon is a very different company to that of 12 months ago. We are customer driven and continue to strive to become more so; we are innovative and market focused in our product development activity and operate with an increasingly appropriate cost base. However, whilst we have changed, we still retain the best of our long and successful heritage; talented and motivated people, a great brand name and excellence in materials science and manufacturing all remain fundamental to our success.

In 2009 we capitalised on these strengths to deliver the first stage in transforming the performance of the Group. We concentrated on delivering the opportunities outlined in 2008 and creating a secure platform for future growth. Revenue has grown by 68% to £91.7m and this delivered a £4.6m operating profit (before exceptional items) compared to the £4.1m operating loss (before exceptional items) last year. Our order book has grown to £69m providing good visibility on future sales. The loss making mixing operation has been sold and we have outlined a clear strategic vision for the Group. Our balance sheet has strengthened through debt reduction.

At ISI we have so far been unable to turn around the fortunes of our US based self contained breathing apparatus (SCBA) business. We have however reduced the cost base of the business and appointed an experienced General Manager providing a greater focus on industrial and defence related opportunities which should result in an improved performance in 2010. Avon Engineered Fabrications (AEF) has also yet to be divested despite considerable interest. The intention is still to dispose of this business, but with it returning to profit this year, we will only do so if an acceptable valuation can be agreed.

Our strong order book, dominant market positions in defence respiratory protection and dairy liners, supported by technologically superior products, growing brand strength and high competitive entry barriers, should enable us to continue to improve profit margins. We are increasing investment in product development and routes to market to aid our business growth.

STRATEGY

The 2009 results demonstrate that we can deliver in our chosen markets. The Protection & Defence business has seen rapid growth on the back of the new 50 series respirators and the DoD contracts, while seeing continuing demand for our S10 and FM12 masks from the UK MoD and police. We enhanced our sales and marketing capability and signed up key distributors to provide access to new markets for our world leading products. We transformed our Avon Protection Systems branding and continue to add value to our product range through product enhancement and integration. We are well placed to lead the future provision of integrated chemical, biological, radiological and nuclear (CBRN) protection to the future soldier. Despite global pressures on defence budgets, we still expect funding for personal protective equipment to be maintained. We have invested in facilities with capacity to deal with increased respirator orders, with further investment in filter production to meet demand for this consumable product planned in the coming year.

Our dairy Milk-Rite brand has increased its market share in all regions despite tough conditions in the dairy industry. Our aim is to become a 'technical solutions' provider encompassing all consumables involved in the automated milking process. To achieve this we will continue to introduce innovative new products and source related products which we can provide to our customers under the Milk-Rite brand through our extensive dealer network. The recent outsourcing of liner production from the UK means we now have globally competitive production sources in both the USA and Europe.

GROUP RESULTS

Revenue

Revenue from continuing operations increased by 68% to £91.7m (2008: £54.6m) with Protection & Defence up 105% to £66.9m (2008: £32.6m) and Dairy up 13% to £24.8m (2008: £22.0m). We have benefited from the translation impact of the stronger US dollar as our business is predominantly US based. At constant exchange rates the revenue growth would have been 36%. The Protection & Defence growth came primarily from a full year's supply of masks and filters under the 5 year sole source DoD contract which entered full production in May 2008, together with strong demand under the 10 year option contract. Dairy growth was largely currency related, with lower demand driven by market conditions for much of the 2009 calendar year after a strong first quarter.

Operating profit

The operating profit before depreciation, amortisation and exceptional items (EBITDAE) rose from a £0.7m loss in 2008 to a £8.6m profit in 2009; operating profit before exceptional items improved by £8.7m to £4.6m (2008: £4.1m loss) and after exceptional operating items of £2.5m (2008: £8.5m), the operating profit was £2.1m (2008: £12.6m loss). The return to profitability resulted from the higher revenues, a significant improvement in gross profit percentage and operating expenses held at prior year levels. EBITE was split £3.6m from Protection & Defence (2008: £5.6m loss), £3.0m from Dairy (2008: £3.5m) less unallocated central costs of £2.0m (2008: £1.9m).

Exceptional items

Exceptional items amounted to £2.5m (2008: £8.5m) and relate to the costs of the transfer of European dairy production from the UK to the Czech Republic, offset by gains from the sale and leaseback of dairy production and distribution facilities in the USA.

The move of European dairy production which will improve future Dairy profits, included £2.0m of redundancy and relocation costs, which are cash costs to be met in 2009 and 2010, non-cash costs of £1.1m in respect of asset write offs and an onerous lease provision of £2.5m in respect of the leased UK facility as the move has resulted in significant unutilised space at the Group's Hampton Park West facility in the UK.

Cashflow and liquidity

Net interest costs increased to £1.5m (2008: £1.0m) reflecting increased borrowings as we entered the year, together with the higher cost of funding in the current financial market. In the year we invested £3.6m (2008: £2.7m) in fixed assets and new product development, particularly in the Protection & Defence business. Working capital decreased notwithstanding higher sales, as the benefits of increased focus in this area were realised. Other finance income associated with the Group's UK retirement benefit scheme was £0.4m (2008: £1.2m), the fall being largely attributable to the increasing discount rate on AA corporate bonds and lower expected rates of return on assets used in IAS19 calculations for 2009.

Net debt at the year end was £13.6m (2008: £15.1m). The majority of the Group's borrowings are US$ denominated, so the fall in the exchange rate from $1.84 to $1.59 added £2.8m to reported net debt due to translation. Group borrowing facilities at year end of £19.2m all had expiry dates of less than 12 months. Subsequent to the year end new facilities of £5m and $28.2m, the majority of which have a maturity date of 30 June 2011, have been put in place.

Taxation

The tax charge on continuing operations totalled £1.7m (2008: £1.3m credit) on a profit before tax of £1.0m (2008: £12.4m loss). The higher tax rate is due to two factors: the exceptional item in respect of UK restructuring not giving rise to a tax deduction and the lack of recognition of UK tax losses as a deferred tax asset. Thus the effective tax rate, if the impact of exceptional items is removed from the profit before tax, is 48% (2008: 32% credit). Unrecognised deferred tax assets in respect of tax losses in the UK amount to £8.5m.

Discontinued operations

Discontinued operations in 2009 represented the AEF business, held for sale at 30 September 2009. AEF made an operating profit of £0.9m and after a tax charge of £0.3m contributed £0.6m to the Group result.

In March 2009 AEF commenced delivery against the major fuel storage tank contract which it was awarded late in 2008 and this contributed significantly to the improved performance of the business in 2009. AEF ended the year with orders of $9.1m on hand in respect of the fuel storage contract, the majority of which are expected to be delivered in the first half of 2010.
The sale of the UK mixing facility was completed on 7 November 2008 for £2.05m, settled in cash.

Earnings per share

The basic loss per share was 0.6p (2008: 68.4p loss) and loss per share from continuing operations was 2.6p (2008: 39.1p loss).

Adjusted earnings per share from continuing operations were 12.5p (2008: 3.4p loss). Adjusted earnings per share exclude the impact of amortisation of intangibles and exceptional items.

SEGMENTAL PERFORMANCE

Protection & Defence

Protection & Defence includes our respiratory protection businesses in the US and UK and represents 73% of total Group revenues. Revenue grew by 105% to £66.9m (2008:£32.6m). Operating profit before exceptional items amounted to £3.6m (2008: £5.6m loss).

In May 2008 our Cadillac facility was successful in obtaining a single source $112m, 5 year full rate production (FRP) order from the US Department of Defence (DoD) for the M50 military respirator at the rate of 100,000 mask systems per annum. The DoD also exercised its 'requirements' option to extend the order for a further 5 years allowing it to take up to a further 200,000 mask systems per annum, resulting in total potential quantities of up to 300,000 mask systems per annum over a 10 year period.

In 2009 we delivered $73.6m to the DoD against these and other associated spares contracts. With total orders on hand of $102m at 30 September 2009, of which $50m are for delivery in 2010 and further US Government funding to place further orders of $48m already approved for 2010 for delivery in 2010 and 2011, we have good visibility on this long term contract.

Our UK operation continues to see demand for our existing S10 and FM12 products. In March 2009 the UK Ministry of Defence (MoD) awarded Avon a multi-year contract with the potential to exceed £10 million over the next 3 years whilst other long standing customers of these respirators continue to order masks and accessories. We take forward £2.4m of MoD orders for delivery in 2010.

Market conditions for ISI, the Group's US based self-contained breathing apparatus (SCBA) business, were challenging. The cutbacks and delays in the release of Federal grants to fire departments and extremely competitive and price driven market conditions led to a disappointing performance. We have taken action to reduce the cost base of the business and appointed a new General Manager with significant industry experience. These actions and a greater focus on industrial and defence related opportunities should result in an improved performance in 2010.

Dairy

Revenues increased by 13% from £22.0m to £24.8m. The stronger US dollar increased Dairy reported revenues even though the business saw a fall in volumes in the last three quarters of the year. This reduced demand for our product reflected global economic conditions, and in particular the falling milk price. Dairy farmers' profits fell and as a consequence they took short term decisions to change liners less frequently. A positive factor has been the continued growth of our Milk-Rite brand in the USA and Europe.

Operating profit before exceptional items was £3.0m (2008: £3.5m) reflecting the weaker markets. As in the second half of 2008, in 2009 operating profit was depressed by the increased allocation of overhead costs associated with our UK production facility following the disposal of the Group's aerosol gasket business in March 2008. On 1 April 2009 we announced the relocation of manufacturing to a Czech Republic based subcontractor, which should address this issue once it is completed in 2010.

BALANCE SHEET

Our balance sheet continues to be affected by the inclusion of retirement benefit assets and liabilities together with associated deferred tax balances, particularly given the size of our UK final salary scheme pension fund relative to the size of the Group. At 30 September 2008 we saw weakness in global financial markets and an unprecedented rate of return (6.9%) on AA rated corporate bonds. This led to a reported surplus on the scheme (on an IAS 19 basis) of £43.4m.

During the year the value of the scheme's assets has held up well in difficult markets. The move to a Liability Driven Investment (LDI) approach back in 2007 has significantly reduced the volatility in asset values. Our decision to close the scheme to future accrual of benefit from 1 October 2009 also represents a significant milestone in risk reduction.

However, at 30 September 2009 we have seen AA corporate bond discount rates fall by 1.5% to 5.4% and as a consequence, the value of liabilities on a discounted cash flow basis has increased significantly resulting in a deficit (on an IAS 19 basis) of £8.4m.

The scheme's tri-annual valuation, as at 31 March 2009, is in progress and is due to be finalised by 30 June 2010.

Intangible assets totalling £9.9m (2008: £9.5m) form a significant part of the balance sheet as we continue to invest in new product development. This can be seen by our expanding product range, particularly respiratory protection products. The annual charge for amortisation of intangible assets was £1.8m (2008: £1.7m).

Working capital decreased as increased focus was given to all areas. This was a major achievement as revenue increased by 68%. As a result, the trade working capital to revenue ratio fell from 25% in 2008 to 14% in 2009. Net debt at 30 September 2009 was £13.6m (2008: £15.1m) the majority of which was denominated in US dollars. The strengthening of the US dollar in the financial year to a closing rate of $1.59 (2008: $1.84) adversely impacted the year-end reported sterling book value of our net debt by £2.8m.

DIVIDENDS

Our intention is to build a long term sustainable and growing business. With the current credit markets and cash requirements from the legacy of losses and restructuring and further investment planned for 2010, the Board believes it remains appropriate to continue to strengthen the Group balance sheet and further reduce debt. Accordingly we are not proposing to pay a dividend in 2009 but remain committed to resuming a dividend at the appropriate time.

OUTLOOK

We have delivered the return to profitability predicted last year through substantial growth from our core long term protection contracts supported by a modern lean manufacturing culture, despite some challenges in our dairy and fire protection markets.

We are seeing some encouraging revival in milk prices which we expect will feed through in higher demand for our dairy products in 2010. This, together with the cost reductions from the outsourcing of European production, should result in an improved performance from our Dairy business.

Our Protection & Defence businesses have strong order books entering 2010 and the potential to benefit from homeland security and foreign military demand for our market leading products around the globe. Funding levels in the fire services market in the US may remain low but improvement at ISI will come from increasing opportunities in the defence and industrial sectors.

The Rt. Hon. Sir Richard Needham
Chairman
26 November 2009

Peter Slabbert
Chief Executive
26 November 2009

Consolidated Income Statement

for the year ended 30 September 2009

	Note	2009 £'000	2008 £'000
Continuing operations			
Revenue	2	**91,688**	54,606
Cost of sales		**(68,148)**	(44,476)
Gross profit		**23,540**	10,130
Distribution costs		**(4,676)**	(3,445)
Administrative expenses		**(16,881)**	(20,496)
Other operating income		**120**	1,225
Operating profit/(loss) from continuing operations	2	**2,103**	(12,586)
Operating profit/(loss) is analysed as:			
Before depreciation, amortisation and exceptional items		**8,595**	(686)
Depreciation and amortisation	2	**(3,957)**	(3,419)
Operating profit/(loss) before exceptional items		**4,638**	(4,105)
Exceptional operating items	3	**(2,535)**	(8,481)
Finance income		**33**	27
Finance costs		**(1,539)**	(1,015)
Other finance income		**394**	1,183
Profit/(loss) before taxation		**991**	(12,391)
Taxation	4	**(1,699)**	1,259
Loss for the year from continuing operations		**(708)**	(11,132)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	5	**566**	(8,337)
Loss for the year		**(142)**	(19,469)
Profit attributable to minority interest		**41**	6
Loss attributable to equity shareholders	8	**(183)**	(19,475)
		(142)	(19,469)
Loss per share	7		
Basic		**(0.6)p**	(68.4)p
Diluted		**(0.6)p**	(68.4)p
Loss per share from continuing operations	7		
Basic		**(2.6)p**	(39.1)p
Diluted		**(2.6)p**	(39.1)p

Consolidated Statement of Recognised Income and Expense

for the year ended 30 September 2009

	Note	2009 £'000	2008 £'000
Loss for the year		**(142)**	(19,469)
Actuarial (loss)/gain recognised in retirement benefit schemes		**(53,051)**	25,427
Movement on deferred tax relating to retirement benefit schemes		**12,158**	(7,158)
Net exchange differences offset in reserves	**8**	**1,049**	1,574
Net (losses)/gains recognised directly in equity		**(39,844)**	19,843
Total recognised (expense)/income for the year		**(39,986)**	374
Attributable to:			
Equity shareholders		**(40,027)**	368
Minority interest		**41**	6
Total recognised (expense)/income for the year		**(39,986)**	374

Consolidated Balance Sheet

at 30 September 2009

	Note	2009 £'000	2008 £'000
Assets			
Non-current assets			
Intangible assets		**9,936**	9,549
Property, plant and equipment		**15,263**	15,491
Deferred tax assets		**271**	265
Retirement benefit assets		**-**	43,399
		25,470	68,704
Current assets			
Inventories		**9,528**	10,134
Trade and other receivables		**12,614**	10,684
Cash and cash equivalents	10	**1,041**	769
		23,183	21,587
Assets classified as held for sale	5	**4,914**	4,642
		28,097	26,229
Liabilities			
Current liabilities			
Borrowings	10	**14,697**	15,908
Trade and other payables		**16,196**	15,545
Current tax liabilities		**673**	72
		31,566	31,525
Liabilities directly associated with assets classified as held for sale	5	**1,832**	1,125
		33,398	32,650
Net current liabilities		**(5,301)**	(6,421)
Non-current liabilities			
Deferred tax liabilities		**2,104**	13,289
Retirement benefit obligations		**9,152**	759
Provisions for liabilities and charges		**6,649**	5,568
		17,905	19,616
Net assets		**2,264**	42,667
Shareholders equity			
Ordinary shares	8	**29,141**	29,141
Share premium account	8	**34,708**	34,708
Capital redemption reserve	8	**500**	500
Translation reserve	8	**(21)**	(1,070)
Retained earnings	8	**(62,103)**	(21,175)
Equity shareholders' funds	8	**2,225**	42,104
Minority interest in equity		**39**	563
Total equity		**2,264**	42,667

Consolidated Cash Flow Statement

for the year ended 30 September 2009

	Note	2009 £'000	2008 £'000
Cash flows from operating activities			
Cash generated from continuing operating activities prior to the effect of exceptional operating items		**7,303**	384
Cash effect of exceptional operating items	**3**	**(1,688)**	(80)
Cash generated from continuing operations	**9**	**5,615**	304
Cash used in discontinued operations	**9**	**(2,468)**	(1,453)
Cash generated from/(used in) operations	**9**	**3,147**	(1,149)
Finance income received		**33**	27
Finance costs paid		**(1,582)**	(946)
Tax (paid)/received		**(282)**	172
Net cash generated from/(used in) operating activities		**1,316**	(1,896)
Cash flows from investing activities			
Proceeds from sale of operations		**2,050**	1,847
Proceeds from sale of property, plant and equipment		**4,798**	447
Purchase of property, plant and equipment		**(2,684)**	(1,368)
Purchase of intangible assets		**(884)**	(1,343)
Net cash generated from/(used in) investing activities		**3,280**	(417)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**-**	17
Net movements in loans		**(6,005)**	9,100
Dividends paid to minority interests		**(283)**	-
Dividends paid to shareholders		**-**	(1,367)
Net cash (used in)/generated from financing activities		**(6,288)**	7,750
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(1,692)**	5,437
Cash, cash equivalents and bank overdrafts at beginning of the year		**414**	(5,037)
Effects of exchange rate changes		**188**	14
Cash, cash equivalents and bank overdrafts at end of the year	**10**	**(1,090)**	414

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS

1. Basis of preparation

(a) This financial information does not constitute the statutory financial statements for the year ended 30 September 2009. Those financial statements have not yet been delivered to the Registrar, nor have the auditors reported on them.

The auditors have reported on the Group's statutory financial statements for the year ended 30 September 2008 under s235 of the Companies Act 1985, which do not contain statements under s237(2) or s237(3) of the Companies Act 1985 and are unqualified. The Group's statutory financial statements for the year ended 30 September 2008 have been delivered to the Registrar of Companies.

(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 "IFRS") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

2. Segmental analysis

Due to the differing natures of the products and their markets, Avon Rubber p.l.c.'s primary reporting segment is by business. The secondary reporting format comprises the geographical segments by origin.

Primary reporting format - business segments

Year ended 30 September 2009

	Protection & Defence £'000	Dairy £'000	Unallocated £'000	Continuing Total £'000	Discontinued Total £'000	Group £'000
Revenue	66,895	24,793		91,688		91,688
Segment result before depreciation, amortisation and exceptional operating items	6,874	3,490	(1,769)	8,595		8,595
Depreciation and amortisation	(3,296)	(470)	(191)	(3,957)		(3,957)
Segment result before exceptional operating items	3,578	3,020	(1,960)	4,638		4,638
Exceptional items	-	(2,535)	-	(2,535)		(2,535)
Segment result after exceptional operating items	3,578	485	(1,960)	2,103		2,103
Finance income			33	33		33
Finance costs			(1,539)	(1,539)		(1,539)
Other finance income			394	394		394
Profit/(loss) before taxation	3,578	485	(3,072)	991		991
Taxation			(1,699)	(1,699)		(1,699)
Profit/(loss) for the year from continuing operations	3,578	485	(4,771)	(708)		(708)
Profit for the year from discontinued operations					566	566
Profit/(loss) for the year	3,578	485	(4,771)	(708)	566	(142)
Profit attributable to minority interest						41
Loss attributable to equity shareholders						(183)
						142
Segment assets	39,689	6,715	2,249	48,653	4,914	53,567
Segment liabilities	10,694	6,034	32,743	49,471	1,832	51,303
Other segment items						
Capital expenditure						
- intangible assets	823	21	-	844	23	867
- property, plant and equipment	2,270	412	82	2,764	274	3,038
Depreciation	1,553	467	167	2,187	179	2,366
Amortisation of intangibles	1,743	3	24	1,770	15	1,785

Year ended 30 September 2008

	Protection & Defence	Dairy	Unallocated	Continuing Total	Discontinued Total	Group
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	32,616	21,990		54,606		54,606
Segment result before depreciation, amortisation and exceptional operating items	(2,985)	3,875	(1,576)	(686)		(686)
Depreciation and amortisation	(2,639)	(422)	(358)	(3,419)		(3,419)
Segment result before exceptional operating items	(5,624)	3,453	(1,934)	(4,105)		(4,105)
Exceptional operating items	(8,481)	-	-	(8,481)		(8,481)
Segment result after exceptional operating items	(14,105)	3,453	(1,934)	(12,586)		(12,586)
Finance income			27	27		27
Finance costs			(1,015)	(1,015)		(1,015)
Other finance income			1,183	1,183		1,183
(Loss)/profit before taxation	(14,105)	3,453	(1,739)	(12,391)		(12,391)
Taxation			1,259	1,259		1,259
(Loss)/profit for the year from continuing operations	(14,105)	3,453	(480)	(11,132)		(11,132)
Loss for the year from discontinued operations					(8,337)	(8,337)
(Loss)/profit for the year	(14,105)	3,453	(480)	(11,132)	(8,337)	(19,469)
Profit attributable to minority interest						6
Loss attributable to equity shareholders						(19,475)
						(19,469)
Segment assets	34,855	7,132	48,304	90,291	4,642	94,933
Segment liabilities	9,043	2,240	39,858	51,141	1,125	52,266

Other segment items

	Protection & Defence	Dairy	Unallocated	Continuing Total	Discontinued Total	Group
Capital expenditure						
- intangible assets	1,306	-	21	1,327	41	1,368
- property, plant and equipment	1,018	275	58	1,351	66	1,417
Depreciation	969	634	241	1,844	398	2,242
Amortisation of intangibles	1,653	-	25	1,678	5	1,683
Impairment of intangibles	8,102	-	-	8,102	-	8,102

Secondary reporting format - geographical segments

Year ended 30 September 2009

	Europe	North America	Group
	£'000	£'000	£'000
Revenue	**12,495**	**79,193**	**91,688**
Segment assets	**10,072**	**43,495**	**53,567**
Capital expenditure - property, plant and equipment	**459**	**2,579**	**3,038**
- intangible assets	**357**	**510**	**867**

Year ended 30 September 2008	Europe	North America	Group
	£'000	£'000	£'000
Revenue	11,114	43,492	54,606
Segment assets	46,420	48,513	94,933
Capital expenditure - property, plant and equipment	402	1,089	1,491
- intangible assets	255	1,113	1,368

3. Exceptional operating items

The exceptional operating items comprise:	2009	2008
	£'000	£'000
Relocation of European Dairy production to the Czech Republic	**(5,557)**	-
Profit on sale and leaseback of freehold property	**3,022**	-
Impairment of goodwill and other intangibles	**-**	(8,102)
Other operating charges	**-**	(379)
Exceptional operating items	**(2,535)**	(8,481)

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

The move of European dairy production includes £2.0m of redundancy costs, which are cash costs to be met in 2009 and 2010, non-cash costs of £1.1m in respect of asset write offs and an onerous lease provision of £2.5m in respect of the leased UK facility as the move has resulted in significant unutilised space at the Group's Hampton Park West facility in the UK.

The cash impact in 2009 of exceptional items was:

a) To realise £4,850,000 in respect of the sale and leaseback of freehold property.
b) To utilise cash of £1,688,000 to settle obligations of which £1,102,000 was in respect of the relocation of the European dairy production and £586,000 was to settle prior year exceptional items.

There was no impact on taxation due to brought forward losses in the UK meaning no deduction is available for the costs of the Dairy relocation and the availability of capital losses in the US meaning the capital gains were not subject to tax.

4. Taxation

The split of the tax charge/(credit) between UK and overseas is as follows:

	Year to 30 Sept 09 £'000	Year to 30 Sept 08 £'000
United Kingdom	**-**	-
Overseas	**1,699**	(1,259)
	1,699	(1,259)

5. Results from discontinued operations

	2009 £'000	2008 £'000
Revenue	**9,212**	11,337
Cost of sales	**(7,686)**	(11,920)
Gross profit/(loss)	**1,526**	(583)
Distribution costs	**(119)**	(638)
Administrative expenses	**(536)**	(5,705)
Other operating income	**-**	45
Operating profit/(loss) from discontinued operations	**871**	(6,881)
Operating profit/(loss) is analysed as:		
Before exceptional items	**871**	(2,023)
Exceptional operating items	**-**	(4,858)
Taxation	**(305)**	-
Loss on disposal	**-**	(1,456)
Profit/(loss) for the year from discontinued operations	**566**	(8,337)

In 2009, the results from discontinued operations relate to the US engineered fabrications operation which was being actively marketed for sale during the year.

In 2008 discontinued operations also included the UK mixing operation which was disposed of in November 2008 and the UK aerosol business which was sold during 2008.

At the end of 2009, assets held for sale and associated liabilities relate to the US engineered fabrications business.

6. Dividends

The 2007 final dividend of 4.8p per share was paid on 4 February 2008. No dividends were declared in respect of the 2008 financial year and the Board announced in May 2009 that there would be no interim dividend in 2009.

7. Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) 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 Sharesave Option Scheme and the Performance Share Plan. Adjusted earnings per share from continuing operations adds back to profit the effect of exceptional items and the amortisation of intangible assets.

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

	2009	2008
Weighted average number of ordinary shares in issue (thousands) used in Basic calculations	**28,474**	28,473
Potentially dilutive shares (weighted average)	**972**	-
Fully diluted number of ordinary shares (thousands)	**29,446**	28,473

	2009 £'000	**2009 Basic eps pence**	**2009 Diluted eps pence**	2008 £'000	2008 Basic eps pence	2008 Diluted eps pence
Loss attributable to equity shareholders of the Company	**(183)**	**(0.6)**	**(0.6)**	(19,475)	(68.4)	(68.4)
Profit/(loss) from discontinued operations attributable to equity shareholders of the Company	**566**	**2.0**	**1.9**	(8,337)	(29.3)	(29.3)
Loss from continuing operations attributable to equity shareholders of the Company	**(749)**	**(2.6)**	**(2.6)**	(11,138)	(39.1)	(39.1)
Exceptional items	**2,535**			8,481		
Profit/(loss) from continuing operations excluding exceptional items	**1,786**	**6.3**	**6.1**	(2,657)	(9.3)	(9.3)
Amortisation of intangible assets	**1,770**			1,683		
Profit/(loss) from continuing operations excluding exceptional items and amortisation of intangibles	**3,556**	**12.5**	**12.1**	(974)	(3.4)	(3.4)

8. Reconciliation of changes in equity

	Share Capital	Share premium	Retained earnings	Capital redemption reserve	Translation reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2007	29,125	34,707	(18,789)	500	(2,644)	42,899
Loss for the year attributable to equity shareholders	-	-	(19,475)	-	-	(19,475)
Dividends paid	-	-	(1,367)	-	-	(1,367)
Unrealised exchange differences on overseas investments	-	-	-	-	1,574	1,574
Movement in respect of employee share schemes	-	-	187	-	-	187
Actuarial gain recognised in retirement scheme	-	-	25,427	-	-	25,427
Movement in deferred tax relating to retirement benefit obligations	-	-	(7,158)	-	-	(7,158)
New share capital subscribed	16	1	-	-	-	17
At 30 September 2008	29,141	34,708	(21,175)	500	(1,070)	42,104
Loss for the year attributable to equity shareholders	**-**	**-**	**(183)**	**-**	**-**	**(183)**
Unrealised exchange differences on overseas investments	**-**	**-**	**-**	**-**	**1,049**	**1,049**
Movement in respect of employee share schemes	**-**	**-**	**148**	**-**	**-**	**148**
Actuarial loss recognised in retirement scheme	**-**	**-**	**(53,051)**	**-**	**-**	**(53,051)**
Movement in deferred tax relating to retirement benefit obligations	**-**	**-**	**12,158**	**-**	**-**	**12,158**
New share capital subscribed	**-**	**-**	**-**	**-**	**-**	**-**
At 30 September 2009	**29,141**	**34,708**	**(62,103)**	**500**	**(21)**	**2,225**

9. Cash generated from operations

	2009 £'000	2008 £'000
Continuing operations		
Profit/(loss) for the financial year	**(708)**	(11,132)
Adjustments for:		
Tax	**1,699**	(1,259)
Depreciation	**2,187**	1,844
Difference between pension charge and cash contributions	**(1,043)**	(1,332)
Amortisation and impairment of intangibles	**1,770**	9,780
Finance income	**(33)**	(27)
Finance costs	**1,539**	1,015
Other finance income	**(394)**	(1,183)
(Profit)/loss on disposal of property, plant and equipment	**(2,088)**	52
Loss on disposal of intangible assets	**20**	-
Movement in respect of employee share scheme	**148**	187
Decrease in inventories	**1,759**	1,079
Increase in receivables	**(1,193)**	(216)
Increase in payables and provisions	**1,952**	1,496
Cash generated from continuing operations	**5,615**	304
Analysed as:		
Cash generated from continuing activities prior to the effect of exceptional operating items	**7,303**	384
Cash effect of exceptional operating items	**(1,688)**	(80)
Discontinued operations		
Profit/(loss) for the financial year	**566**	(6,881)
Adjustments for:		
Tax	**305**	-
Depreciation	**179**	398
Impairment of property, plant and equipment	**-**	688
(Decrease)/increase in pension liabilities	**(70)**	114
Amortisation of intangibles	**15**	5
Loss on disposal of property, plant and equipment	**-**	80
(Increase)/decrease in inventories	**(561)**	519
(Increase)/decrease in receivables	**(818)**	1,512
(Decrease)/increase in payables and provisions	**(2,084)**	2,112
Cash used in discontinued operations	**(2,468)**	(1,453)
Cash generated from/(used in) operations	**3,147**	(1,149)

Cash flows relating to the discontinued operations are as follows:

	2009 £'000	2008 £'000
Cash flows from operating activities	**(2,468)**	(1,453)
Cash flows from investing activities	**1,753**	2,190
Cash flows from financing activities	**-**	-
Cash (used in)/generated from discontinued operations	**(715)**	737

10. 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 2008 £'000	Cash flow £'000	Exchange movements £'000	**at 30 Sept 2009 £'000**
Cash at bank and in hand	769	156	116	**1,041**
Cash included in assets held for sale	27	(19)	1	**9**
Overdrafts	(382)	(1,829)	71	**(2,140)**
Net cash and cash equivalents	414	(1,692)	188	**(1,090)**
Debt due within 1 year	(15,526)	6,005	(3,036)	**(12,557)**
	(15,112)	4,313	(2,848)	**(13,647)**

The net debt above can be reconciled to the balance sheet as follows: cash and cash equivalents shown on the balance sheet comprise cash at bank and in hand plus current asset investments classified as cash equivalents. Borrowings shown on the balance sheet comprise overdrafts and bank loans due within one year.

Borrowing facility at 30 September 2009 (expiring within one year)	**Total facility £'000**	**Utilised £'000**	**Undrawn £'000**
Bank loans and overdrafts	**19,146**	**14,697**	**4,449**
Utilised in respect of guarantees	**472**	**472**	**-**
	19,618	**15,169**	**4,449**

Subsequent to the 2009 year end, the Group has agreements with its two principal bankers for new facilities of £5m and $28.2m, the majority of which are committed to 30 June 2011. These facilities are priced on average at the appropriate currency LIBOR plus a margin of 3.5% and include financial covenants which are measured on a quarterly basis.

11. Annual Report & Accounts

Copies of the directors' report and the audited financial statements for the year ended 30 September 2009 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: http://ar2009.avon-rubber.com.