2015 Interim Results

Avon Rubber p.l.c.

Contents

News Release

Strictly embargoed until 07:00 29 April 2015

AVON RUBBER p.l.c.
("Avon", the "Group" or the "Company")
Unaudited interim results for the six months ended 31 March 2015

	31 March 2015	31 March 2014	Increase
	£Millions	£Millions	
REVENUE	62.8	61.5	2%
ADJUSTED EBITDA (*)	12.2	11.1	9%
ADJUSTED OPERATING PROFIT (*)	8.5	8.2	4%
ADJUSTED PROFIT BEFORE TAX (*)	8.4	8.0	4%
NET CASH / (DEBT)	7.3	(5.5)	
EARNINGS PER SHARE:			
Adjusted basic (*)	22.3p	20.4p	9%
Adjusted diluted (*)	21.7p	19.8p	10%
INTERIM DIVIDEND	2.43p	1.87p	30%

FINANCIAL HIGHLIGHTS

- 10% earnings per share growth against a very strong comparator period last year
- Continuing strong cash generation increased cash balances to £7.3m in an already strong balance sheet
- 30% increase in interim dividend to 2.43p per share

OPERATIONAL HIGHLIGHTS

- Dairy delivered a record half year performance as our investment in routes to market and innovative products and services delivered returns
- Dairy Cluster Exchange service growth of 34% since 30 September 2014
- Encouraging progress in Dairy in China; Brazil sales and distribution operation opened
- Healthy order intake in Protection & Defence of £47m. Closing order book of £38m with £28m for delivery in H2 2015
- Our new Deltair SCBA gained market share in the US Fire market

Peter Slabbert, Chief Executive commented:

"Avon has enjoyed another positive half year, achieving a 10% increase in earnings per share against a very strong comparator period last year that included a 52,000 C50 delivery to a customer in the Middle East.

Trading is normally second-half weighted in our Protection & Defence business and we believe this will continue to be the case this year. We have a strong forward order book in Protection & Defence and believe that the momentum in Dairy will continue.

The Board therefore expects to make good progress as the year develops and to meet market expectations for the full year."

(*) Note:

The Directors believe that adjusted measures provide a more useful comparison of business trends and performance. Adjusted results exclude exceptional items, defined benefit pension scheme costs and the amortisation of acquired intangibles. 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 these interim results relate to adjusted business performance (as defined above) unless otherwise stated. A reconciliation of adjusted measures to non-adjusted measures is provided below:

	Statutory	**Adjustments**	**Adjusted**
Group EBITDA (£m)	12.7	(0.5)	12.2
Group operating profit (£m)	8.9	(0.4)	8.5
Other finance expense (£m)	0.4	(0.3)	0.1
Basic earnings per share (pence)	22.4	(0.1)	22.3
Diluted earnings per share (pence)	21.8	(0.1)	21.7
Protection & Defence operating profit (£m)	6.2	0.1	6.3

The adjustments comprise:

- amortisation of acquired intangibles of £0.1m
- defined benefit pension scheme costs which relate to a scheme closed to future accrual and therefore do not relate to current operations:
    - Administrative expenses of £0.2m
    - Settlement gain of £0.7m following a trivial commutation exercise
    - Other finance expense of £0.3m

Avon Rubber p.l.c.

Peter Slabbert, Chief Executive: 020 7067 0000

Andrew Lewis, Group Finance Director: 01225 896 830

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Jo Wotton, Public Relations Manager: 01225 896 563

Weber Shandwick Financial

Nick Oborne: 020 7067 0000

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.

NOTES TO EDITORS:

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

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

Our world-leading Dairy supplies business and its Milkrite brand have 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. Our goal is always to improve and maintain animal health. Working with the leading scientists and health specialists in the global dairy industry we continue to invest in technology to further improve the milking process and animal welfare. Our products provide exceptional results for both the animal and the milker, making the milk extraction process run smoothly. As our market share and milking experience continue to improve, so does our global presence.

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

Interim Management Report

Introduction

Avon has enjoyed another positive half year with a 10% increase in earnings per share against a very strong comparator period last year. Our Dairy division returned record results as our strategy of product and service innovation and geographic expansion continues to deliver success. In Protection & Defence revenues for the half year were, as planned, weighted towards US Department of Defense (DOD) sales under our 10 year sole source contract and gross margins were, as a consequence, lower than in the record prior period. Despite this, net margins for the division increased, continuing the long-term trend of improvement. We have also made encouraging progress in generating opportunities in the North American Fire market and in the Middle East which are likely to be realised in the second half.

Group Results

Group revenue at £62.8m (2014: £61.5m) increased by 2% and operating profit of £8.5m (2014: £8.2m) increased by 4%. Earnings before interest, tax, depreciation and amortisation ('EBITDA') increased by 9% to £12.2m (2014: £11.1m) representing a return on sales (defined as EBITDA divided by revenue) of 19.4% (2014: 18.1%).

The impact of foreign exchange translation was a slight tailwind of £0.4m as the $/£ average rate of $1.54 was lower than the $1.63 prevailing in the same period last year. This translation benefit has been offset by transactional losses, where the weakening Euro together with US dollar transactions covered by forward contracts at rates higher than the average rate have given rise to mark to market foreign exchange losses of £0.3m in the period.

If the currently stronger US dollar were to prevail throughout the remainder of the financial year, it would create further translation tailwinds for the full year. Our sensitivity analysis on the full year 2014 results showed that a 5c movement in the $/£ exchange rate would result in a £0.4m impact on annual operating profit.

Profit before tax was £8.4m (2014: £8.0m) and after a tax charge of £1.7m (2014: £1.9m), an effective rate of 20% (2014: 24%), the Group recorded a profit for the period after tax of £6.7m (2014: £6.1m). The reduced tax rate reflects the anticipated geographic split of taxable profits for 2015. Basic earnings per share were up 9% at 22.3p (2014: 20.4p) and fully diluted earnings per share were up 10% at 21.7p (2014: 19.8p).

Net Debt and Cashflow

Net cash at the half year was £7.3m, up from £2.9m at the 2014 year end, which had benefitted from early payments from certain customers.

Operating cash conversion remained strong at 138% of operating profit. Turning profits into cash has enabled us to continue to invest in the future of the business with £3.1m of capital investment, while, at the same time, increasing dividends to shareholders by 30%.

Total bank facilities at 31 March 2015 were $40m. These facilities are committed until 30 November 2017.

Protection & Defence

Performance

Revenue for the division was £45.3m (2014: £45.6m) and operating profit was £6.4m (2014: £6.8m). The decrease was expected and arose from the mix of product shipped in the period being heavily DOD biased, whereas the comparable period had a heavy non-DOD weighting. As we have always said, while predicting the timing of non-DOD orders and sales is difficult, our long-term DOD contract and manufacturing excellence affords us the flexibility to fulfil non-DOD orders as and when they arise and to meet the DOD's demand in periods when non-DOD orders are lower.

EBITDA was up 1% at £9.4m (2014: £9.2m) as the effect of the change in mix towards DOD sales was more than offset by cost savings following the consolidation of our US sites, increases in sales to Fire customers as our new Deltair product gained traction and AEF enjoying another successful period. Return on sales, as defined above, was 21% (2014: 20%).

Markets

M50 respirator sales to the DOD were, as expected, significantly higher in the first half of the year at 112,000 (2014: 58,000) mask systems. During the period we received a further order for 160,000 mask systems which means we exit the half year with mask order coverage well into 2016, providing good visibility of revenue under this sole source long-term contract.

We did not deliver any M61 filters during the period (2014: 162,000 pairs). We understand that the second source has successfully qualified its filter and has fulfilled its first order. In the long term, we believe the end user demand for this consumable product will grow as fielding of the mask accelerates but we continue to recognise that, in the current DOD procurement environment, obtaining short-term visibility of future filter orders remains challenging. However, we do expect to see some further filter requirements later this year.

Since the comparable period last year included delivery of the 52,000 C50 order, as expected, sales to foreign military, law enforcement and first responder customers reduced year on year. However, during the period we have been encouraged by the level of international enquiries for our respiratory protection products and, although the timing of converting some of the larger opportunities has not fallen into the first half, we are encouraged that the underlying pipeline of individually smaller sales opportunities has grown and we have a number of opportunities that leave us well placed to deliver a richer mix of sales in the second half of the year.

We saw strong growth in sales to the North American Fire market this period following the release of our new NFPA-approved Deltair SCBA. Our product, which is designed to meet the new US regulations and to deliver enhanced operational performance, has been well received by the market and remains one of only four units to receive approval to date. The product procurement cycle in the Fire market is longer than in the Law Enforcement market due to trial and evaluation processes and the level of enquires and continuing customer trials gives us confidence that this product has the opportunity to enhance our market share further.

Other DOD spares sales were lower than the same period last year reflecting normal variability in the timing of orders and delivery schedules. Order intake for spares has however been positive and thus we expect higher levels of revenue in this area in the second half. Our industrial escape product, launched in 2014, has continued to be well received in oil and gas markets. AEF has seen a continuation of the high level of order intake experienced last year and has contributed positively again this period.

Order intake for the first half totalled £47m. Of the closing order book of £38m, £28m is for delivery in the second half of our financial year giving good visibility for the remainder of the year.

Opportunities

Our funded development programme with the US Air Force to design and test the MM53 Joint Service Aircrew Mask (JSAM) has progressed well with the prototype product passing the customer's critical design review during the period. The customer has also confirmed that it has budget monies allocated to the production phase of the programme and that it expects this to commence in 2017.

Our Emergency Escape Breathing Device (EEBD) received NIOSH approval late in 2014. In December 2014 we responded to a US Navy solicitation to supply EEBDs to replace its existing fielded product. We have not yet received a response from the US Navy to this solicitation but expect to hear during the second half of the year.

Dairy

Performance

Revenue for the Dairy business was 10% higher at £17.5m (2014: £15.9m) as we grew in all of our markets, supplemented by the positive translation effect of the stronger US dollar. An increasing proportion of higher-margin Milkrite product and service sales contributed to an increased operating profit of £3.3m (2014: £2.7m). Return on sales, as defined above, increased to 22% (2014: 20%).

Markets

Market conditions have been positive during the period. In global markets, milk prices have remained at acceptable levels and farmer input costs have been favourable meaning there has been less pressure on farmer revenues and margins and therefore normal levels of demand for our consumable products.

In Europe, Milkrite's market share has increased as a result of our increased sales force, enhanced technical support and a larger distributor network. Our Impulse Air mouthpiece vented liner, first launched in Europe late in 2013, continues to gain traction, with its market share increasing to 3.0% (31 March 2014: 2.0%, 30 September 2014: 2.6%).

In the US, the Milkrite Impulse Air mouthpiece vented liner continued to perform well, with its market share increasing to 22% (31 March 2014: 20%, 30 September 2014: 21%).

Our Cluster Exchange service was launched in the US and Europe in 2014 and growth rates are now exceeding our expectations. By the end of the period it was servicing 342,000 cows on 1,100 farms in the US and Europe. This added-value service enhances the value of each direct liner sale we make and should lead to a more robust and sustainable business model.

In China, year on year revenue grew strongly against a weak comparator period. The industrialisation of the milking process continues apace, creating excellent long-term potential for our consumable products.

Opportunities

In many other emerging markets, including Brazil and India, the number of dairy cows being milked using automated milking processes is growing rapidly. This is adding to the market potential for the products we sell. We opened a sales and distribution centre in

Brazil in the period to service Brazil and the wider South American market. Our first sales were made late in the period and we expect a full period of trading in the second half of our financial year. As with any start up, we expect this to be a short-term drag on divisional profit growth but our target for this operation is to make a positive contribution to profit in 2017.

Retirement Benefit Obligations

The IAS 19R valuation of the Group's UK retirement benefit obligations has moved from a deficit of £16.0m at 30 September 2014 to a reduced deficit of £15.6m at 31 March 2015. This arose from a strong asset performance from our return-seeking assets offset by a fall in AA corporate bond rates which increased liabilities.

During the period the Group made cash contributions in respect of deficit recovery payments and administration costs of £275,000 (2014: £237,000).

The last actuarial valuation undertaken as at 31 March 2013 showed the scheme to be 98.0% funded.

Dividends

The final dividend for the 2014 financial year of 3.74p per ordinary share was paid to shareholders on 20 March 2015 and absorbed £1,127,000 of shareholders' funds.

Following the period end, the Board has declared an interim dividend of 2.43p per ordinary share for 2015, an increase of 30% on the 2014 interim dividend. This will be paid on 4 September 2015 to shareholders on the register on 7 August 2015. It is expected to absorb £732,000 of shareholders' funds and there are no corporation tax consequences.

Board Changes

The Board is separately announcing today that Peter Slabbert has informed the Board of his intention to step down from his role as Chief Executive and retire from the Company.

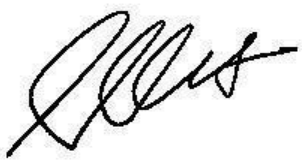
This change will become effective 30 September 2015. The search for a successor has already commenced.

Outlook

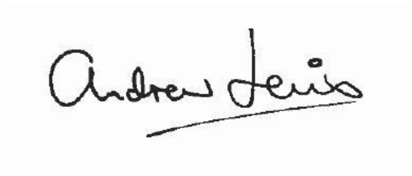
The Board remains confident that the Group will continue to deliver organic growth in this financial year in line with current market expectations and that our strong cash generation and balance sheet will allow us to invest in future growth opportunities.

As is usual, we expect a second half bias to the financial performance of our Protection & Defence business. Although the timing of receipt of orders remains difficult to predict, the DOD order we received late in the first half and our sales pipeline of other opportunities give us confidence that Protection & Defence will make further progress in the second half of this year.

In Dairy, the business has good momentum with our high technology differentiated products and services gaining market share. This, together with the sales and distribution platforms we have established in China and Brazil to service the rapidly growing emerging markets, means we have a Dairy business with excellent short and longer term growth prospects.



Peter Slabbert
Chief Executive
29 April 2015



Andrew Lewis
Group Finance Director
29 April 2015

Statement of Directors' Responsibilities

The Directors confirm that this condensed consolidated interim financial information has been prepared in accordance with the International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed consolidated interim financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first six months and any material changes in the related-party transactions described in the last annual report

The Directors are as listed on page 41 of the 2014 Annual Report, except that Stella Pirie retired from the Board on 29 January 2015 and Pim Vervaat was appointed on 1 March 2015.

Forward-looking statements

Certain statements in this half year report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Company website

The interim statement is available on the Company's website at www.avon-rubber.com. The maintenance and integrity of the website is the responsibility of the Directors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Miles Ingrey-Counter

Miles Ingrey-Counter
Company Secretary
29 April 2015

Consolidated Statement of Comprehensive Income

	Note	Half year to 31 March 2015 Statutory	Half year to 31 March 2015 Adjustments	Half year to 31 March 2015 Adjusted	Half year to 31 March 2014 Statutory	Half year to 31 March 2014 Adjustments	Half year to 31 March 2014 Adjusted	Year to 30 Sep 2014 Statutory	Year to 30 Sep 2014 Adjustments	Year to 30 Sep 2014 Adjusted
		£'000	**£'000**	**£'000**	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	4	**62,821**	**-**	**62,821**	61,491	-	61,491	124,779	-	124,779
Cost of sales		**(41,389)**	**-**	**(41,389)**	(40,718)	-	(40,718)	(83,264)	-	(83,264)
Gross profit		**21,432**	**-**	**21,432**	20,773	-	20,773	41,515	-	41,515
Selling and distribution costs		**(6,984)**	**-**	**(6,984)**	(4,894)	-	(4,894)	(11,505)	-	(11,505)
General and administrative expenses		**(5,540)**	**(363)**	**(5,903)**	(9,983)	2,330	(7,653)	(15,685)	2,678	(13,007)
Operating profit	4	**8,908**	**(363)**	**8,545**	5,896	2,330	8,226	14,325	2,678	17,003
Operating profit is analysed as:										
Before depreciation and amortisation		**12,662**	**(493)**	**12,169**	8,933	2,200	11,133	20,486	2,417	22,903
Depreciation and amortisation		**(3,754)**	**130**	**(3,624)**	(3,037)	130	(2,907)	(6,161)	261	(5,900)
Operating profit		**8,908**	**(363)**	**8,545**	5,896	2,330	8,226	14,325	2,678	17,003
Finance income	6	**9**	**-**	**9**	-	-	-	1	-	1
Finance costs	6	**(51)**	**-**	**(51)**	(103)	-	(103)	(275)	-	(275)
Other finance expense	6	**(453)**	**329**	**(124)**	(97)	6	(91)	(187)	12	(175)
Profit before taxation		**8,413**	**(34)**	**8,379**	5,696	2,336	8,032	13,864	2,690	16,554
Taxation	7	**(1,683)**	**-**	**(1,683)**	(1,590)	(350)	(1,940)	(3,053)	(450)	(3,503)
Profit for the period		**6,730**	**(34)**	**6,696**	4,106	1,986	6,092	10,811	2,240	13,051

Consolidated Statement of Comprehensive Income (continued)

		Half year to 31 March 2015			Half year to 31 March 2014			Year to 30 Sep 2014		
		Statutory	**Adjustments**	**Adjusted**	Statutory	Adjustments	Adjusted	Statutory	Adjustments	Adjusted
	Note	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000	£'000	£'000
Other comprehensive income/(expense)										
Actuarial gain/(loss) recognised in retirement benefit scheme (*)		**22**	**-**	**22**	5,446	-	5,446	(4,851)	-	(4,851)
Net exchange differences offset in reserves (**)		**3,008**	**-**	**3,008**	(1,147)	-	(1,147)	(306)	-	(306)
Other comprehensive income/(expense) for the period, net of taxation		**3,030**	**-**	**3,030**	4,299	-	4,299	(5,157)	-	(5,157)
Total comprehensive income for the period		**9,760**	**(34)**	**9,726**	8,405	1,986	10,391	5,654	2,240	7,894
Earnings per share										
Basic	9	**22.4**		**22.3**	13.8p		20.4p	36.2p		43.7p
Diluted	9	**21.8**		**21.7**	13.3p		19.8p	35.0p		42.3p

* Items that are not subsequently reclassified to the income statement

**Items that may be subsequently reclassified to the income statement

Consolidated Balance Sheet

	Note	As at 31 Mar 15 £'000	As at 31 Mar 14 £'000	As at 30 Sep 14 £'000
Assets				
Non-current assets				
Intangible assets		**19,011**	16,317	17,240
Property, plant and equipment		**20,249**	19,832	19,575
		39,260	36,149	36,815
Current assets				
Inventories		**16,722**	15,431	12,887
Trade and other receivables		**15,630**	16,276	19,157
Derivative financial instruments		**-**	137	2
Cash and cash equivalents	13	**7,273**	217	2,925
		39,625	32,061	34,971
Liabilities				
Current liabilities				
Trade and other payables		**17,947**	15,236	17,755
Derivative financial instruments		**284**	-	-
Provisions for liabilities and charges	10	**689**	1,830	1,846
Current tax liabilities		**7,711**	6,158	6,852
		26,631	23,224	26,453
Net current assets		**12,994**	8,837	8,518
Non-current liabilities				
Borrowings	13	**-**	5,755	-
Deferred tax liabilities		**2,716**	2,481	2,315
Retirement benefit obligations		**15,568**	5,802	16,029
Provisions for liabilities and charges	10	**1,241**	2,659	1,973
		19,525	16,697	20,317
Net assets		**32,729**	28,289	25,016
Shareholders' equity				
Ordinary shares	11	**31,023**	31,023	31,023
Share premium account	11	**34,708**	34,708	34,708
Capital redemption reserve		**500**	500	500
Translation reserve		**2,076**	(1,773)	(932)
Accumulated losses		**(35,578)**	(36,169)	(40,283)
Total equity		**32,729**	28,289	25,016

Consolidated Cash Flow Statement

	Note	**Half year to 31 Mar 15 £'000**	Half year to 31 Mar 14 £'000	Year to 30 Sep 14 £'000
Cash flows from operating activities				
Cash generated before the impact of exceptional items		**11,828**	11,302	26,500
Cash impact of exceptional items		**(694)**	-	(983)
Cash generated from operations	12	**11,134**	11,302	25,517
Finance income received		**9**	-	1
Finance costs paid		**(51)**	(101)	(315)
Retirement benefit deficit recovery contributions		**(275)**	(237)	(513)
Tax paid		**(1,232)**	(1,778)	(2,903)
Net cash generated from operating activities		**9,585**	9,186	21,787
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		**-**	17	19
Purchase of property, plant and equipment		**(1,411)**	(1,893)	(3,753)
Capitalised development costs and software		**(1,733)**	(1,265)	(3,062)
Acquisition of VR Technology Holdings		**(25)**	-	(50)
Net cash used in investing activities		**(3,169)**	(3,141)	(6,846)
Cash flows from financing activities				
Net movements in loans		**-**	(5,149)	(10,805)
Dividends paid to shareholders		**(1,127)**	(862)	(1,422)
Purchase of own shares		**(1,152)**	-	-
Net cash used in financing activities		**(2,279)**	(6,011)	(12,227)
Net increase in cash, cash equivalents and bank overdrafts		**4,137**	34	2,714
Cash, cash equivalents and bank overdrafts at beginning of the year		**2,925**	184	184
Effects of exchange rate changes		**211**	(1)	27
Cash, cash equivalents and bank overdrafts at end of the period	13	**7,273**	217	2,925

Consolidated Statement of Changes in Equity

	Note	Share capital £'000	Share Premium £'000	Other reserves £'000	Accumulated losses £'000	Total £'000
At 30 September 2013		30,723	34,708	(126)	(44,609)	20,696
Profit for the period		-	-	-	4,106	4,106
Unrealised exchange differences on overseas investments		-	-	(1,147)	-	(1,147)
Actuarial gain recognised in retirement benefit scheme		-	-	-	5,446	5,446
Total comprehensive income for the period		-	-	(1,147)	9,552	8,405
Dividends paid		-	-	-	(862)	(862)
Issue of shares		300	-	-	-	300
Purchase of shares by the employee benefit trust		-	-	-	(300)	(300)
Movement in respect of employee share schemes		-	-	-	50	50
At 31 March 2014		31,023	34,708	(1,273)	(36,169)	28,289
Profit for the period		-	-	-	6,705	6,705
Unrealised exchange differences on overseas investments		-	-	841	-	841
Actuarial loss recognised in retirement benefit scheme		-	-	-	(10,297)	(10,297)
Total comprehensive expense for the period		-	-	841	(3,592)	(2,751)
Dividends paid	8	-	-	-	(560)	(560)
Movement in respect of employee share schemes		-	-	-	38	38
At 30 September 2014		31,023	34,708	(432)	(40,283)	25,016
Profit for the period		**-**	**-**	**-**	**6,730**	**6,730**
Unrealised exchange differences on overseas investments		**-**	**-**	**3,008**	**-**	**3,008**
Actuarial gain recognised in retirement benefit scheme		**-**	**-**	**-**	**22**	**22**
Total comprehensive income for the period		**-**	**-**	**3,008**	**6,752**	**9,760**
Dividends paid	8	**-**	**-**	**-**	**(1,127)**	**(1,127)**
Movement in shares held by the employee benefit trust	11	**-**	**-**	**-**	**(962)**	**(962)**
Movement in respect of employee share schemes		**-**	**-**	**-**	**42**	**42**
At 31 March 2015		**31,023**	**34,708**	**2,576**	**(35,578)**	**32,729**

Notes to the Interim Financial Statements

1. General information

The company is a limited liability company incorporated in England and domiciled in the UK. The address of its registered office is Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB. The company has its primary listing on the London Stock Exchange.

This unaudited condensed consolidated interim financial information was approved for issue on 29 April 2015.

These interim financial results do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2014 were approved by the Board of Directors on 19 November 2014 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.

2. Basis of preparation

This condensed consolidated interim financial information for the half year ended 31 March 2015 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, ‘Interim financial reporting’ as adopted by the European Union. These interim financial results should be read in conjunction with the annual financial statements for the year ended 30 September 2014, which have been prepared in accordance with IFRSs as adopted by the European Union.

Having considered the Group’s funding position, budgets for 2015 and three year plan, the Directors have formed a judgment that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the condensed consolidated interim financial information.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 September 2014, as described in those financial statements, except as described below. For the period ended 31 March 2014 , the classification of overhead costs between selling and distribution costs and general and administrative expenses has been represented to provide more relevant information. There is no impact on operating profit.

Recent accounting developments

The following standards, amendments and interpretations have been issued by the International Accounting Standards Board (IASB) or by the International Financial Reporting Interpretations Committee (IFRIC). The Group's approach to these is as follows:

a) Standards, amendments and interpretations effective in 2015
   The following standards and amendments have been adopted in preparing the condensed consolidated half-yearly financial information and will be adopted for the year ending 30 September 2015 but have no impact on the interim financial information:

   - IAS 32, 'Offsetting Financial Assets and Financial Liabilities'
   - IAS 36, 'Recoverable Amount Disclosures for Non-Financial Assets'
   - IAS 39, 'Novation of Derivatives and Continuation of Hedge Accounting'
   - IFRIC 21, 'Levies'
   - Amendments to IFRS 10, IFRS 12 and IAS 27, 'Investment Entities'
   - Amendments to IAS 19, 'Defined Benefit Plans: Employee Contributions'
   - Annual improvements cycle 2010-2012
   - Annual improvements cycle 2011-2013

b) Standards, amendments and interpretations to existing standards issued but not yet effective in 2015 and not adopted early:

   - IFRS 9, 'Financial instruments'
   - IFRS 14, 'Regulatory Deferral Accounts'
   - IFRS 15, 'Revenue from Customer Contracts'
   - Amendments to IAS 1, '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 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

4. 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 the UK and the US.

Business segments

Half year to 31 March 2015

	Protection & Defence £'000	Dairy £'000	Unallocated £'000	Group £'000
Revenue	**45,333**	**17,488**		**62,821**
Segment result before depreciation, amortisation and defined benefit pension scheme credit	**9,358**	**3,872**	**(1,061)**	**12,169**
Depreciation of property, plant and equipment	**(1,724)**	**(533)**	**(26)**	**(2,283)**
Amortisation of intangibles	**(1,275)**	**(61)**	**(5)**	**(1,341)**
Segment result before amortisation of acquired intangibles and defined benefit pension scheme credit	**6,359**	**3,278**	**(1,092)**	**8,545**
Amortisation of acquired intangibles	**(130)**			**(130)**
Defined benefit pension scheme credit			**493**	**493**
Segment result	**6,229**	**3,278**	**(599)**	**8,908**
Finance costs			**(42)**	**(42)**
Other finance expense			**(453)**	**(453)**
Profit before taxation	**6,229**	**3,278**	**(1,094)**	**8,413**
Taxation			**(1,683)**	**(1,683)**
Profit for the period	**6,229**	**3,278**	**(2,777)**	**6,730**

Half year to 31 March 2014

	Protection & Defence £'000	Dairy £'000	Unallocated £'000	Group £'000
Revenue	45,639	15,852		61,491
Segment result before depreciation, amortisation, exceptional items and defined benefit pension scheme costs	9,237	3,176	(1,280)	11,133
Depreciation of property, plant and equipment	(1,597)	(382)	(30)	(2,009)
Amortisation of intangibles	(837)	(57)	(4)	(898)
Segment result before amortisation of acquired intangibles, exceptional items and defined benefit pension scheme costs	6,803	2,737	(1,314)	8,226
Amortisation of acquired intangibles	(130)			(130)
Exceptional items	(2,000)			(2,000)
Defined benefit pension scheme costs			(200)	(200)
Segment result	4,673	2,737	(1,514)	5,896
Finance costs			(103)	(103)
Other finance expense			(97)	(97)
Profit before taxation	4,673	2,737	(1,714)	5,696
Taxation			(1,590)	(1,590)
Profit for the period	4,673	2,737	(3,304)	4,106

Year to 30 September 2014

	Protection & Defence £'000	Dairy £'000	Unallocated £'000	Group £'000
Revenue	92,818	31,961		124,779
Segment result before depreciation, amortisation, exceptional items and defined benefit pension scheme costs	18,542	6,600	(2,239)	22,903
Depreciation of property, plant and equipment	(3,289)	(771)	(67)	(4,127)
Amortisation of intangibles	(1,670)	(94)	(9)	(1,773)
Segment result before amortisation of acquired intangibles, exceptional items and defined benefit pension scheme costs	13,583	5,735	(2,315)	17,003
Amortisation of acquired intangibles	(261)			(261)
Exceptional items	(2,017)			(2,017)
Defined benefit pension scheme costs			(400)	(400)
Segment result	11,305	5,735	(2,715)	14,325
Finance income			1	1
Finance costs			(275)	(275)
Other finance expense			(187)	(187)
Profit before taxation	11,305	5,735	(3,176)	13,864
Taxation			(3,053)	(3,053)
Profit for the year	11,305	5,735	(6,229)	10,811

Revenue by origin

	Half year to 31 Mar 15 £'000	Half year to 31 Mar 14 £'000	Year to 30 Sep 14 £'000
UK	**11,819**	14,725	23,508
US	**51,002**	46,766	101,271
	62,821	61,491	124,779

Segment assets in the UK and US were £17.3m and £61.6m respectively (30 September 2014: £14.0m and £57.8m, 31 March 2014: £12.9m and £55.3m).

5. Amortisation of acquired intangibles, exceptional items and defined benefit pension scheme costs

	Half year to 31 Mar 15 £'000	Half year to 31 Mar 14 £'000	Year to 30 Sep 14 £'000
Amortisation of acquired intangible assets	**130**	130	261

Exceptional items	**£'000**	£'000	£'000
Relocation of Lawrenceville facility	**-**	2,000	2,017
	-	2,000	2,017

The tax impact of the above is a £nil reduction in overseas tax payable (31 March 2014: £0.35m, 30 September 2014: £0.45m).

The statutory results have also been adjusted to exclude items in relation to the defined benefit pension scheme as this is closed to future accrual and therefore does not relate to current operations. The adjustments comprise:

- Administrative expenses of £0.2m
- Settlement gain of £0.7m following a trivial commutation exercise
- Other finance expense of £0.3m

6. Finance income and costs

	Half year to 31 Mar 15 £'000	Half year to 31 Mar 14 £'000	Year to 30 Sep 14 £'000
Interest payable on bank loans and overdrafts	**51**	103	275
Finance income	**(9)**	-	(1)
	42	103	274

Other finance expense

	Half year to 31 Mar 15 £'000	Half year to 31 Mar 14 £'000	Year to 30 Sep 14 £'000
Net interest cost: UK defined benefit pension scheme	**329**	6	12
Provisions: Unwinding of discount	**124**	91	175
	453	97	187

7. Taxation

	Half year to 31 Mar 15 £'000	Half year to 31 Mar 14 £'000	Year to 30 Sep 14 £'000
United Kingdom	**-**	-	-
Overseas	**1,683**	1,590	3,053
	1,683	1,590	3,053
Effect of exceptional items	**-**	350	450
Adjusted tax charge	**1,683**	1,940	3,503

The statutory effective tax rate for the period is 20% (31 March 2014: 28%, 30 September 2014: 22%).

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 charges is 20% (31 March 2014: 24%, 30 September 2014: 21%).

8. Dividends

On 29 January 2015, the shareholders approved a final dividend of 3.74p per qualifying ordinary share in respect of the year ended 30 September 2014. This was paid on 20 March 2015 absorbing £1,127,000 of shareholders' funds.

The Board of Directors has declared an interim dividend of 2.43p (2014: 1.87p) per qualifying ordinary share in respect of the year ended 30 September 2015. This will be paid on 4 September 2015 to shareholders on the register at the close of business on 7 August 2015. In accordance with accounting standards this dividend has not been provided for and there are no corporation tax consequences. It will be recognised in shareholders' funds in the year to 30 September 2015 and is expected to absorb £732,000 (2014: £560,000) of shareholders' funds.

9. Earnings per share

Basic earnings per share is based on a profit attributable to ordinary shareholders of £6,730,000 (2014: £4,106,000) and 30,077,000 (2014: 29,800,000) ordinary shares being the weighted average number of shares in issue during the period.

Adjusted earnings per share is based on a profit attributable to ordinary shareholders of £6,696,000 (2014: £6,092,000) after adding back amortisation of acquired intangible assets, exceptional items and defined benefit pension scheme costs.

The Company has 824,000 (2.7%) (2014: 953,000 (3.2%)) potentially dilutive ordinary shares in respect of the Performance Share Plan.

10. Provisions for liabilities and charges

	Facility relocation £'000	Property obligations £'000	Total £'000
Balance at 30 September 2014	454	3,365	3,819
Payments in the period	(471)	(1,578)	(2,049)
Unwinding of discount	-	124	124
Exchange difference	17	19	36
Balance at 31 March 2015	**-**	**1,930**	**1,930**

11. Share capital

	Half year to 31 Mar 15	Half year to 31 Mar 14	Year to 30 Sep 14
Number of shares (thousands)	**31,023**	31,023	31,023
Ordinary shares (£'000)	**31,023**	31,023	31,023
Share premium (£'000)	**34,708**	34,708	34,708

During the period 162,095 ordinary shares with a nominal value of £1 each were purchased by the Avon Rubber p.l.c. Employer Share Ownership Trust at a cost of £1,152,000 and 29,459 ordinary shares of £1 each were issued in relation to the 2014 annual incentive plan.

12. Cash generated from operations

	Half year to 31 Mar 15 £'000	Half year to 31 Mar 14 £'000	Year to 30 Sep 14 £'000
Profit for the period	**6,730**	4,106	10,811
Adjustments for:			
Taxation	**1,683**	1,590	3,053
Depreciation	**2,283**	2,009	4,127
Amortisation of intangible assets	**1,471**	1,028	2,034
Defined benefit pension scheme (credit)/costs	**(493)**	200	400
Net finance expense	**42**	103	274
Other finance expense	**453**	97	187
Loss on disposal of intangible assets and property, plant and equipment	**-**	-	358
Movements in working capital and provisions	**(1,077)**	2,119	4,185
Other movements	**42**	50	88
	11,134	11,302	25,517

13. Analysis of net cash

	As at 30 Sep 14 £'000	Cash flow £'000	Exchange movements £'000	**As at 31 Mar 15 £'000**
Cash at bank and in hand	2,925	4,137	211	**7,273**
Cash and cash equivalents	2,925	4,137	211	**7,273**

Borrowing facilities	**As at 31 Mar 15 £'000**	As at 31 Mar 14 £'000	As at 30 Sep 14 £'000
Total undrawn committed facilities	**26,521**	17,247	24,191
Bank loans and overdrafts utilised	**-**	5,755	-
Utilised in respect of guarantees	**370**	330	337
Total Group facilities	**26,891**	23,332	24,528

The above facilities are with Barclays Bank and Comerica Bank. The combined facility comprises a revolving credit facility of $40m and expires on 30 November 2017. This facility is priced on the US dollar LIBOR plus 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 2015 and 2014.

14. Exchange rates

The following significant exchange rates applied during the period.

	Average rate H1 2015	**Closing rate H1 2015**	Average rate H1 2014	Closing rate H1 2014	Average rate FY 2014	Closing rate FY 2014
US dollar	**1.539**	**1.488**	1.633	1.664	1.654	1.631
Euro	**1.309**	**1.370**	1.198	1.210	1.221	1.281

Fair value of financial instruments

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

15. Principal risks and uncertainties

The principal risks and uncertainties impacting the Group are described on pages 28-31 of our Annual Report 2014 and remain unchanged at 31 March 2015.

They include: product development, market threat, business interruption – supply chain, quality risks and product recall, customer dependency, talent management and non-compliance with legislation.

CORPORATE INFORMATION

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BOARD OF DIRECTORS
David Evans (Chairman)
Pim Vervaat (Non-Executive Director)
Richard Wood (Non-Executive Director)
Peter Slabbert (Chief Executive)
Andrew Lewis (Group Finance Director)

COMPANY SECRETARY
Miles Ingrey-Counter

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