News Release

Strictly embargoed until 07:00 21 November 2012

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

Audited results for the year ended 30 September 2012	**30 Sep 2012 £Millions**	30 Sep 2011 £Millions
REVENUE	**106.6**	107.6
EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION & AMORTISATION	**16.4**	15.7
OPERATING PROFIT	**11.6**	11.1
PROFIT BEFORE TAX	**11.0**	10.2
NET DEBT	**8.7**	11.8
EARNINGS PER SHARE:		
Adjusted - excluding amortisation of intangibles	**32.3p**	31.4p
Basic	**26.9p**	25.2p
Diluted	**25.4p**	23.3p
Dividend per share	**3.6p**	3.0p

Financial highlights:

- Operating profit growth of 4% and profit after tax up 10%.
- Operating margins improved 0.6% to 10.9%.
- Diluted earnings per share up 9% to 25.4p.
- Cash generated from operating activities of £14.7m, representing 127% of operating profit.
- Net debt reduced by £3.1m to £8.7m.
- Dividend increase of 20% to 3.6p reflecting confidence in future earnings.

Operational highlights:

- Order intake in Protection & Defence up 42% to £85.2m. Closing order book of £45.7m with £40.7m for delivery in 2013.
- Increased non-DoD order intake in Protection & Defence.
- Award of a five year IDIQ contract by the DoD for delivery of up to 12m pairs of M61 filters.
- Market share of newly introduced ImpulseAir (Mouthpiece Vented Liner) reached 16% in the United States.
- Sales/distribution centre opened in China to service the demand for our products in rapidly growing markets.
- 9% of revenue invested in new products and new markets.

Commenting on the results, Peter Slabbert, Chief Executive said: *"*We have continued our successful track record of growing profits, generating cash and reducing our debt and believe that our investment in industry leading technologies in both Protection & Defence and Dairy will deliver future revenue growth and higher margins*."*

For further enquiries, please contact:

Avon Rubber p.l.c.	
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An analyst meeting will be held at 10.45 am this morning at the offices of

Weber Shandwick Financial, 2 Waterhouse Square, 140 Holborn, London, EC1N 2AE.

NOTES TO EDITORS: Avon is focused on two specialist areas - Protection & Defence and Dairy

With over 120 years' experience, Avon Rubber p.l.c. is 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 the UK, serving markets around the world.

Avon Protection is the recognised global market leader in advanced Chemical, Biological, Radiological and Nuclear (CBRN) respiratory protection system technology. Our unrivalled 80 year pedigree in military mask design and manufacture has placed Avon Protection's products at the heart of many international defence and tactical Personal Protective Equipment (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.

Our world leading Dairy business and its Milkrite brand have a global market presence. Our unique designs and innovative technology are described by one particular customer as "the biggest advance in the milking process in a generation". Working with the leading scientists and health specialists in the industry, we continue to invest in technology to further improve the milking process and animal welfare. As our market share and milking experience continues to grow so does our global presence.

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

AVON RUBBER p.l.c.

INTRODUCTION

In financial terms we have made further progress in 2012, recording increases in operating margins, profits and earnings per share. Operating margins have increased by 0.6% to 10.9% with an operating profit of £11.6m (2011: £11.1m) and diluted earnings per share were up 9% at 25.4p (2011: 23.3p).

While it is pleasing to report that financial measures are moving in the right direction, it is more exciting to share with you some of the strategic progress we have made in 2012. After three years of 'turnaround', at the beginning of the year the Board recognised the need to accelerate investment in new products, technologies, systems and people. This phase of Avon's development started in 2012, with the Board expecting to see the benefit of these investments starting in the second half of our 2013 financial year.

GROUP RESULTS

Revenue decreased by 1% to £106.6m (2011: £107.6m) with Protection & Defence down 4% to £74.6m (2011: £77.4m) due to lower filter sales to the US Department of Defense ("DoD") and Dairy up 6% to £32.1m (2011: £30.2m). Although volatile during the year, foreign exchange translation has not had a material impact on the Group's results in 2012 with the US $/£ average rate being $1.58 (2011: $1.60).

Operating profit before depreciation and amortisation (EBITDA) rose 4% to £16.4m (2011: £15.7m). Operating profit rose 4% to £11.6m (2011: £11.1m).

SEGMENTAL PERFORMANCE

PROTECTION & DEFENCE

Protection & Defence represented 70% (2011: 72%) of total Group revenues. The business saw revenues fall 3.7% from £77.4m to £74.6m due to the timing of receipt of filter orders from the DoD. In 2011 we delivered approximately 1m pairs of filters and in 2012, 520,000 pairs. This offset a rise in the number of mask systems delivered which increased to 193,000 in 2012 from 143,000 in 2011. Operating profit remained at £7.5m (2011: £7.5m) and EBITDA was £11.6m (2011: £11.6m), representing a return on sales of 15.6% (2011: 15.0%) and reflecting our improved operational performance.

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, while 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.

In May 2008 our Cadillac facility was successful in obtaining a single source $112m, 5 year full rate production (FRP) order from the 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.

Budget funding for our ten year sole source respirator programme with the DoD has been largely unaffected by the current economic instability 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 DoD budgets, we expect spend on personal protective equipment for the warfighter to remain stable although the timing of orders may again be unpredictable. At year end we carried forward orders for 148,000 M50 masks for delivery in 2013 which gives us order coverage through the first three quarters of the financial year. We also expect further mask orders in 2013 from 2013 DoD budgets. In December 2011 the Group was awarded a 5 year IDIQ contract for the continued supply of M61 filters with a ceiling quantity of 12 million filter pairs. This new contract was in addition to the $38m 3 year IDIQ contract announced in August 2011. We delivered 520,000 filters against these contracts in 2012 and although visibility of the timing of filter orders from the DoD remains limited, we enter 2013 with orders for a further 130,000 filter pairs and believe the end user demand for this consumable product will continue to grow as fielding of the mask accelerates.

In monetary terms, we delivered product to the value of £44.3m (2011: £44.9m) to the DoD against these and other associated spares contracts. There were total DoD orders in hand of £24.2m at 30 September 2012, of which £23.5m are for delivery in 2013.

Our programme to expand and enhance our product range (Project Fusion) remains on time and on track with the first new product to be launched in the first half of our 2013 financial year. Further product introductions are expected to provide future organic growth from late 2013.

Growth outside of our core DoD customer base has been strong with increased orders from our homeland security and foreign military customers. During the year we received our largest ever single order from the Middle East worth £14.7m; the majority of revenues from this contract are expected to benefit our 2013 and 2014 financial years. We expect the proportion of revenues from these sources to continue to grow over the medium term.

DAIRY

The Dairy business has continued to grow with revenues increasing by 6.3% to £32.1m (2011: £30.2m) and operating profit increasing by 8.9% to £6.0m (2011: £5.5m). EBITDA was £6.5m (2011: £5.9m), giving a return on sales of 20.3%, up from 19.6% in 2011.

The improved profitability in our Dairy business resulted from the growth in our own brand, Milkrite in both North America and Europe. Our groundbreaking mouthpiece vented liner, ImpulseAir, launched in 2010, ended the year with an impressive 16% market share in the US.

This success has allowed us to add capability to the division's management team and to open our first sales and distribution facility in China from which we can service the Asian market, marking the start of our expansion into emerging markets.

FINANCE EXPENSES

Net interest costs reduced to £0.2m (2011: £0.5m) reflecting the lower net debt balance throughout the year. 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 (2011: £0.4m).

TAXATION

The tax charge totalled £3.2m (2011: £3.1m) on a profit before tax of £11.0m (2011: £10.2m). In 2012 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 29% (2011: 30%). The adjusted effective tax rate was 28% (2011: 29%), defined as the tax charge divided by the profit before tax, excluding the charge relating to other finance expense. In 2012 the US Federal tax rate was 34% and the Group's adjusted effective tax rate reflects the predominance of US revenues and earnings. Unrecognised deferred tax assets in respect of tax losses in the UK amounted to £3.8m (2011: £5.0m).

EARNINGS PER SHARE

Basic earnings per share were 26.9p (2011: 25.2p).
Diluted earnings per share were up 9% at 25.4p (2011: 23.3p).
Adjusted earnings per share were 32.3p (2011: 31.4p). Adjusted earnings per share excludes the impact of amortisation of intangibles.
Adjusted diluted earnings per share were up 5% at 30.5p (2011: 29.1p).

NET DEBT AND CASHFLOW

Net debt at the year end was £8.7m (2011: £11.8m). Total bank facilities were £23.9m, the majority of which are US $ denominated and committed to 30 March 2015.

In the year we invested £9.5m (2011: £5.7m) in property, plant and equipment and new product development, particularly in the Protection & Defence business on our new product development programme, Project Fusion. In Dairy we established our new sales and distribution facility in China.

Continuing operating activities generated cash of £14.7m (2011: £12.0m), representing 127% of operating profit (2011: 108%). Inventory at 30 September 2012 was higher than the previous year, as filters had been built to fulfil orders for delivery in the first quarter of our 2013 financial year. However receivables were lower than the same period last year and this resulted in trade working capital to revenue ratio decreasing to 19.0% (2011: 21.0%).

UK RETIREMENT BENEFIT OBLIGATIONS

The balance, as measured under IAS 19, associated with the Group's UK retirement benefit obligation, which has been closed to future accrual, has moved from a £0.3m surplus at 30 September 2011 to a £2.2m deficit at 30 September 2012. This movement has resulted from a decrease in the discount rate as IAS 19 specifies the use of AA corporate bond yields to set the discount rate and these had fallen to an all-time low at 30 September 2012.

The last triennial actuarial valuation took place on 31 March 2011. The valuation shows the scheme to be 98.4% funded and the Company reached an agreement with the Trustee on future contributions to address this deficit.

During 2012, the Company paid total contributions of £0.6m. Annual deficit recovery contributions will reduce to £0.4m in 2013 and £0.3m for 2014 to 2016.

RESEARCH AND DEVELOPMENT

Intangible assets totalling £13.3m (2011: £10.5m) form a significant part of the balance sheet as we invest in new product development. This can be seen from our expanding product range, particularly respiratory protection products. The annual charge for amortisation of intangible assets was £1.6m (2011: £1.7m).

Our total investment in research and development (capitalised and expensed) has continued at high levels and amounted to £6.6m (2011: £6.6m) of which £1.4m (2011: £1.7m) was customer funded.

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

We expect to see the benefits of these efforts, which underpin the long term prosperity of the Group, towards the end of our 2013 financial year.

DIVIDEND

Based on the Group's improved profitability, cash generation and the confidence the Board has in the Group's future prospects, the Board is pleased to propose a 20% increase in the final dividend to shareholders of 2.4p per ordinary share (2011: 2.0p). This, combined with the 2012 interim dividend of 1.2p, makes a full year dividend of 3.6p (2011: 3.0p).

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 resulting in further opportunities for growth. We continue to invest in innovative new technologies and products and in building our brand and market reach to bring these opportunities to fruition.

We are also investing £2m in upgrading our IT systems. The Group will roll out Sage X3 across its sites in 2013 and 2014 to provide the integrated ERP infrastructure to support business growth.

BOARD CHANGES

After retiring as Chairman at the last Annual General Meeting, the Rt. Hon. Sir Richard Needham remained as a Board Director to ensure a smooth transition but will retire from the Board at the next Annual General Meeting. The Board expresses their sincere thanks to Sir Richard for his significant contribution to the success of the Company over the last 6 years.

As announced to shareholders today, the Board is delighted that Richard Wood will join the Board on 1 December 2012. Richard retired as Chief Executive of Genus plc in 2011 having led their expansion into new markets over the previous decade. Richard brings substantial experience of the industry in which our Dairy business operates and is a valuable addition to the Board.

OUTLOOK

We have a clear strategic direction and 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 continue to benefit from the security of the long term DoD contract and increased market share in the US first responder and foreign military and law enforcement markets. We are accelerating investment in new products and technologies and expect to continue to deliver further operational efficiencies.

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 enhance profitability through developing our strong Milkrite brand, our global distribution capability and innovative new products.

Peter Slabbert
Chief Executive
21 November 2012

Andrew Lewis
Group Finance Director
21 November 2012

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2012

	Note	2012 £'000	2011 £'000
Revenue	2	**106,636**	107,600
Cost of sales		**(75,803)**	(77,892)
Gross profit		**30,833**	29,708
Distribution costs		**(5,013)**	(4,832)
Administrative expenses		**(14,199)**	(13,740)
Operating profit	2	**11,621**	11,136
Operating profit is analysed as:			
Before depreciation and amortisation		**16,358**	15,723
Depreciation and amortisation		**(4,737)**	(4,587)
Operating profit		**11,621**	11,136
Finance income		**7**	5
Finance costs		**(249)**	(486)
Other finance expense		**(374)**	(443)
Profit before taxation		**11,005**	10,212
Taxation	3	**(3,176)**	(3,094)
Profit for the year		**7,829**	7,118
Other comprehensive (expense) / income			
Actuarial (loss)/gain recognised in retirement benefit schemes		**(3,098)**	5,738
Net exchange differences offset in reserves		**(917)**	358
Other comprehensive (expense)/ income for the year, net of taxation		**(4,015)**	6,096
Total comprehensive income for the year		**3,814**	13,214
Earnings per share	4		
Basic		**26.9p**	25.2p
Diluted		**25.4p**	23.3p

Consolidated Balance Sheet

at 30 September 2012

	Note	2012 £'000	2011 £'000
Assets			
Non-current assets			
Intangible assets		**13,281**	10,469
Property, plant and equipment		**17,878**	16,718
Retirement benefit assets		**-**	280
		31,159	27,467
Current assets			
Inventories		**15,449**	10,679
Trade and other receivables		**14,616**	18,461
Derivative financial instruments		**121**	-
Cash and cash equivalents	6	**176**	559
		30,362	29,699
Liabilities			
Current liabilities			
Borrowings	6	**-**	392
Trade and other payables		**15,748**	15,220
Derivative financial instruments		**-**	166
Provisions for liabilities and charges		**616**	567
Current tax liabilities		**5,160**	2,040
		21,524	18,385
Net current assets		**8,838**	11,314
Non-current liabilities			
Borrowings	6	**8,901**	11,983
Deferred tax liabilities		**2,584**	2,985
Retirement benefit obligations		**2,238**	-
Provisions for liabilities and charges		**2,377**	2,641
		16,100	17,609
Net assets		**23,897**	21,172
Shareholders' equity			
Ordinary shares		**30,723**	30,723
Share premium account		**34,708**	34,708
Capital redemption reserve		**500**	500
Translation reserve		**(552)**	365
Accumulated losses		**(41,482)**	(45,124)
Total equity		**23,897**	21,172

Consolidated Cash Flow Statement

for the year ended 30 September 2012

	Note	2012 £'000	2011 £'000
Cash flows from operating activities			
Cash generated from continuing operations	5	**14,726**	11,974
Cash used in discontinued operations	5	**-**	(1,557)
Cash generated from operations	5	**14,726**	10,417
Finance income received		**7**	5
Finance costs paid		**(300)**	(476)
Retirement benefit contributions		**(625)**	(869)
Tax paid		**(262)**	(1,542)
Net cash generated from operating activities		**13,546**	7,535
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**4**	17
Purchase of property, plant and equipment		**(4,815)**	(2,406)
Capitalised development costs		**(4,697)**	(3,266)
Net cash used in investing activities		**(9,508)**	(5,655)
Cash flows from financing activities			
Net movements in loans		**(2,808)**	(1,334)
Dividends paid to shareholders	7	**(941)**	(706)
Purchase of own shares		**(279)**	(250)
Net cash used in financing activities		**(4,028)**	(2,290)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**10**	(410)
Cash, cash equivalents and bank overdrafts at beginning of the year		**167**	577
Effects of exchange rate changes		**(1)**	-
Cash, cash equivalents and bank overdrafts at end of the year	6	**176**	167

Consolidated Statement of Changes in Equity

for the year ended 30 September 2012

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
At 1 October 2010		30,723	34,708	507	(57,161)	8,777
Profit for the year		-	-	-	7,118	7,118
Unrealised exchange differences on overseas investments		-	-	358	-	358
Actuarial gain recognised in retirement benefit scheme		-	-	-	5,738	5,738
Total comprehensive income for the year		-	-	358	12,856	13,214
Dividends paid		-	-	-	(706)	(706)
Purchase of shares by the employee benefit trust		-	-	-	(250)	(250)
Movement in respect of employee share schemes		-	-	-	137	137
At 30 September 2011		30,723	34,708	865	(45,124)	21,172
Profit for the year		**-**	**-**	**-**	**7,829**	**7,829**
Unrealised exchange differences on overseas investments		**-**	**-**	**(917)**	**-**	**(917)**
Actuarial loss recognised in retirement benefit scheme		**-**	**-**	**-**	**(3,098)**	**(3,098)**
Total comprehensive income for the year		**-**	**-**	**(917)**	**4,731**	**3,814**
Dividends paid	7	**-**	**-**	**-**	**(941)**	**(941)**
Purchase of shares by the employee benefit trust		**-**	**-**	**-**	**(279)**	**(279)**
Movement in respect of employee share schemes		**-**	**-**	**-**	**131**	**131**
At 30 September 2012		**30,723**	**34,708**	**(52)**	**(41,482)**	**23,897**

Other reserves consist of the capital redemption reserve of £500,000 (2011: £500,000) and the translation reserve of (£552,000) (2011: £365,000).

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 2012 within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2011 were approved by the Board of Directors on 23 November 2011 and delivered to the Registrar of Companies. Statutory accounts for the year ended 30 September 2012 will be delivered to the Registrar following the Company's Annual General Meeting. The report of the auditors on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

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

(c) Certain statements in this announcement constitute forward-looking statements. Any statement in this announcement that is not a statement of historical fact including, without limitation, those regarding the Company's future expectations, operations, financial performance, financial condition and business is a forward-looking statement. Such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this announcement and the Company undertakes no obligation to update its view of such risks and uncertainties or to update the forward-looking statements contained herein. Nothing in this announcement should be constructed as a profit forecast.

2. Segmental analysis

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

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

Business Segments

Year ended 30 September 2012

	Protection & Defence £'000	Dairy £'000	Unallocated £'000	Group £'000
Revenue	74,586	32,050		106,636
Segment result before depreciation and amortisation	11,613	6,506	(1,761)	16,358
Depreciation of property, plant and equipment	(2,594)	(468)	(102)	(3,164)
Amortisation of intangibles	(1,516)	(55)	(2)	(1,573)
Segment result	7,503	5,983	(1,865)	11,621
Finance income			7	7
Finance costs			(249)	(249)
Other finance expense			(374)	(374)
Profit before taxation	7,503	5,983	(2,481)	11,005
Taxation			(3,176)	(3,176)
Profit for the year	7,503	5,983	(5,657)	7,829
Segment assets	49,191	9,760	2,570	61,521
Segment liabilities	9,781	2,681	25,162	37,624
Other segment items				
Capital expenditure				
- intangible assets	3,877	225	595	4,697
- property, plant and equipment	3,519	1,198	72	4,789

The Protection & Defence segment includes £45.9m (2011: £46.1m) of revenues from the DoD, the only customer which individually contributes more than 10% to Group revenues.

Year ended 30 September 2011

	Protection & Defence	Dairy	Unallocated	Group
	£'000	£'000	£'000	£'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 costs			(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
Other segment items				
Capital expenditure				
- intangible assets	3,310	41	-	3,351
- property, plant and equipment	1,602	828	26	2,456

Geographical segments by origin

Year ended 30 September 2012	UK	USA	Group
	£'000	**£'000**	**£'000**
Revenue	**16,318**	**90,318**	**106,636**
Non-current assets	**3,710**	**27,449**	**31,159**

Year ended 30 September 2011	UK	USA	Group
	£'000	£'000	£'000
Revenue	14,847	92,753	107,600
Non-current assets	2,611	24,856	27,467

3. Taxation

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

	2012 £'000	2011 £'000
Overseas current tax	**3,366**	2,268
Overseas adjustment in respect of previous periods	**172**	365
Total current tax	**3,538**	2,633
Deferred tax - current year	**(190)**	267
Deferred tax - adjustment in respect of previous periods	**(172)**	194
Total deferred tax	**(362)**	461
Total tax charge	**3,176**	3,094

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.

	2012	2011
Weighted average number of ordinary shares in issue used in basic calculations (thousands)	**29,151**	28,270
Potentially dilutive shares (weighted average) (thousands)	**1,706**	2,320
Fully diluted number of ordinary shares (weighted average) (thousands)	**30,857**	30,590

	2012 £'000	2012 Basic eps pence	2012 Diluted eps pence	2011 £'000	2011 Basic eps pence	2011 Diluted eps pence
Profit attributable to equity shareholders of the Company	**7,829**	**26.9**	**25.4**	7,118	25.2	23.3
Amortisation of intangible assets	**1,573**			1,771		
Profit excluding amortisation of intangibles	**9,402**	**32.3**	**30.5**	8,889	31.4	29.1

5. Cash generated from operations

	2012	2011
	£'000	£'000
Continuing operations		
Profit for the financial year	**7,829**	7,118
Adjustments for:		
Tax	**3,176**	3,094
Depreciation	**3,164**	2,816
Amortisation of intangible assets	**1,573**	1,771
Finance income	**(7)**	(5)
Finance costs	**249**	486
Other finance expense	**374**	443
Loss/(profit) on disposal of property, plant and equipment	**57**	(1)
Movement in respect of employee share scheme	**131**	137
(Increase)/decrease in inventories	**(5,259)**	1,001
Decrease/(increase) in receivables	**3,352**	(3,543)
Increase/(decrease) in payables and provisions	**87**	(1,343)
Cash generated from continuing operations	**14,726**	11,974
Discontinued operations		
Decrease in payables and provisions	**-**	(1,557)
Cash used in discontinued operations	**-**	(1,557)
Cash generated from operations	**14,726**	10,417

Cash flows relating to the discontinued operations are as follows:

	2012	2011
	£'000	£'000
Cash flows from operating activities	**-**	(1,557)
Cash used in discontinued operations	**-**	(1,557)

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 2011 £'000	Cash flow £'000	Exchange movements £'000	**At 30 Sept 2012 £'000**
Cash at bank and in hand	559	(382)	(1)	**176**
Overdrafts	(392)	392	-	**-**
Net cash and cash equivalents	167	10	(1)	**176**
Debt due in more than 1 year	(11,983)	2,808	274	**(8,901)**
	(11,816)	2,818	273	**(8,725)**

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 2012 and 2011.

7. Dividends

On 2 February 2012, the shareholders approved a final dividend of 2.0p per qualifying ordinary share in respect of the year ended 30 September 2011. This was paid on 9 March 2012 absorbing £588,000 of shareholders' funds.

On 26 April 2012, the Board of Directors approved an interim dividend of 1.2p per qualifying ordinary share in respect of the year ended 30 September 2012. This was paid on 7 September 2012 absorbing £353,000 of shareholders' funds.

After the balance sheet date the Board of Directors proposed a final dividend of 2.4p per qualifying ordinary share in respect of the year ended 30 September 2012, which will absorb an estimated £704,000 of shareholders' funds. Subject to shareholder approval, the dividend will be paid on 15 March 2013 to shareholders on the register at the close of business on 15 February 2013. In accordance with accounting standards this 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 2012 will be posted to shareholders who have elected to receive a copy and may also be obtained from the Company's registered office at Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB, England. Full audited financial statements will be available on the Company's website at www.avon-rubber.com.