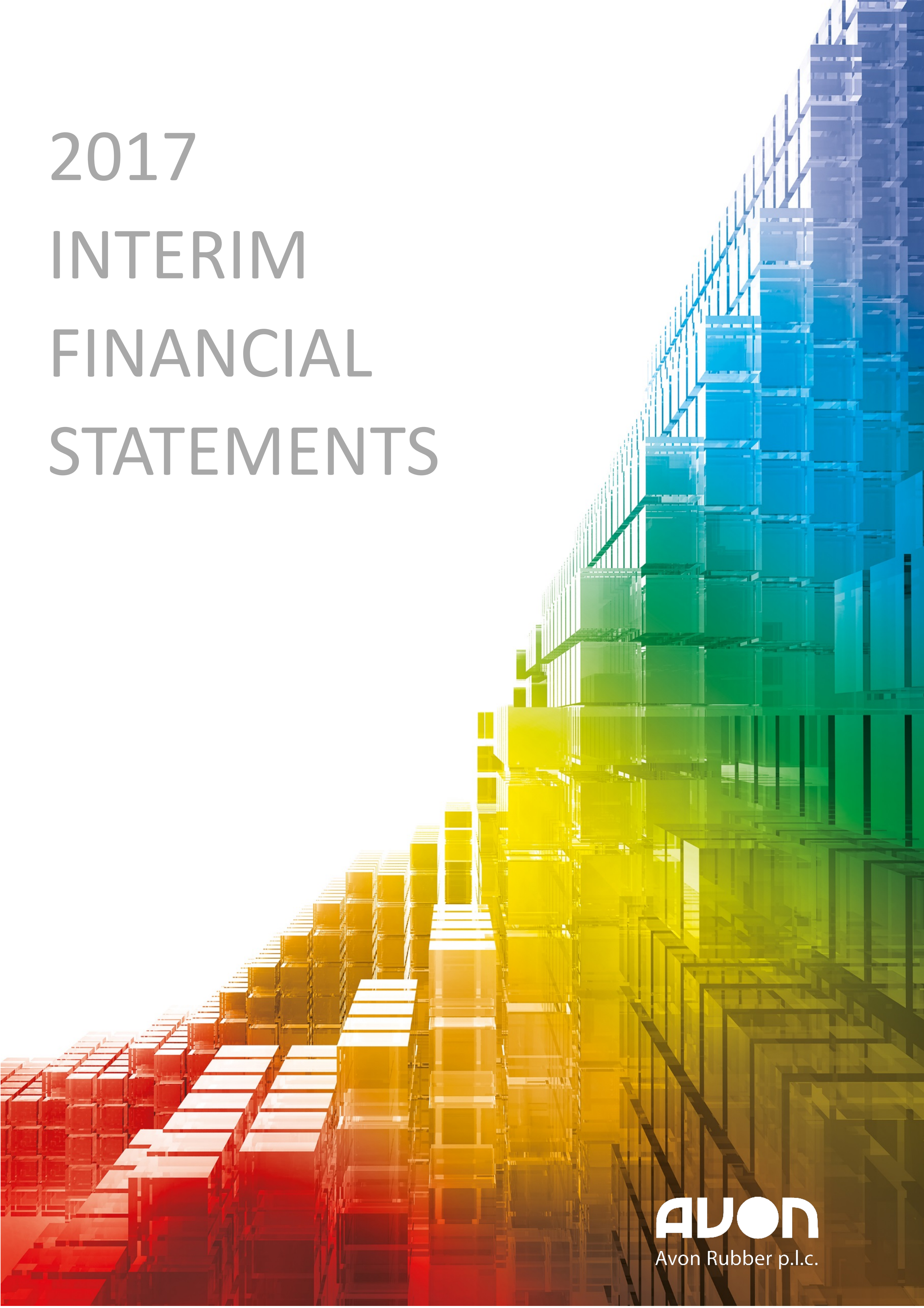
2017
INTERIM
FINANCIAL
STATEMENTS



Avon Rubber p.l.c.

AVON RUBBER p.l.c.
(“Avon”, the “Group” or the “Company”)
Unaudited interim results for the six months ended 31 March 2017

	31 March 2017	31 March 2016	% Increase Reported	% Increase CC*
Orders received	**£90.7m**	£73.4m	24%	9%
Revenue	**£81.1m**	£66.3m	22%	7%
Underlying operating profit (**)	**£10.9m**	£9.0m	21%	6%
Underlying profit before tax (**)	**£10.7m**	£8.8m	22%	7%
Statutory operating profit	**£9.6m**	£6.6m	45%	24%
Statutory profit before tax	**£8.9m**	£6.1m	46%	24%
Underlying cash from operations (**)	**£17.0m**	£14.7m	16%	
Net cash/(debt)	**£12.6m**	(£8.4m)		
Earnings per share:				
Underlying basic (**)	**28.7p**	28.7p	-	
Statutory basic	**24.6p**	21.6p	14%	
Interim dividend	**4.11p**	3.16p	30%	

Highlights

- Revenue and underlying operating profit up 22% and 21%
- Constant currency revenue and underlying operating profit up 7% and 6%
- Underlying cash from operations £17.0m (2016: £14.7m)
- Strong growth in dividend up 30% to 4.11p (2016: 3.16p)
- In Protection, significant opportunities for M53A1 respirators and aircrew XM69 programme in FY18
- Dairy outlook remains positive and Pulsator Exchange Service will be launched in the second half

Paul McDonald, Chief Executive Officer, commented:
“The Group has performed well in improved market conditions and I am delighted to present a good set of results which confirm the progress the Group has made over the last six months.

I am confident the business is well positioned to deliver further growth and that there are additional opportunities to build a stronger business for the future.”

(*) CC: Constant currency

(**) Note:
The Directors believe that underlying measures provide a more useful comparison of business trends and performance. Underlying results exclude exceptional items, defined benefit pension scheme costs and the amortisation of acquired intangibles. The term underlying 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 underlying business performance (as defined above) unless otherwise stated. A reconciliation of underlying numbers to statutory numbers is provided in note 4 to the interim financial statements.

Avon Rubber p.l.c.
Paul McDonald, Chief Executive Officer: 07887 971 582
Paul Rayner, Interim Group Finance Director: 07730 895 389
Weber Shandwick Financial
Nick Oborne: 020 7067 0000

An analyst meeting will be held at 9.00am this morning at the offices of Weber Shandwick Financial, 2 Waterhouse Square, 140 Holborn, London, EC1N 2AE.

NOTES TO EDITORS:
The Group 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 Europe, serving markets around the world. We achieve this through nurturing the talent and aspirations of our employees to realise their highest potential.

Avon Protection Systems is the recognised global market leader in advanced Chemical, Biological, Radiological and Nuclear (CBRN) respiratory protection systems for the world's military, homeland security, first responder, fire and industrial markets.

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

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

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

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

Interim Management Report

Introduction

The Group has delivered a good first half performance with revenue and underlying operating profit increasing by 22% and 21% respectively. At constant currency, revenue and underlying operating profit increased by 7% and 6%. The impact of foreign exchange on revenue was an increase of £9.7m and on underlying operating profit an increase of £1.3m.

Cash flow has been particularly strong and the Group has ended the first half with net cash of £12.6m.

Against this backdrop, the Board has increased its interim dividend by 30% to 4.11p reflecting confidence in the full year.

Group Results

Group revenue at £81.1m (2016: £66.3m) increased by 22% and underlying operating profit of £10.9m (2016: £9.0m) increased by 21%. Underlying operating profit margins were 13% (2016: 14%). Underlying earnings before interest, tax, depreciation and amortisation ('EBITDA') increased by 25% to £16.5m (2016: £13.2m). EBITDA margins were 20% (2016: 20%).

Underlying profit before tax was £10.7m (2016: £8.8m) and after a tax charge of £2.0m (2016: £0.1m), an effective rate of 19% (2016: 1%), the Group recorded an underlying profit for the period after tax of £8.7m (2016: £8.7m).

The increased tax rate of 19% (2016: 1%) has resulted in underlying basic earnings per share being in line with prior year at 28.7p (2016: 28.7p). Basic earnings per share were 24.6p (2016: 21.6p), up 14% on 2016.

Segmental Information

	Half year to 31 Mar 2017		Half year to 31 Mar 2016		Year to 30 Sep 2016	
Revenue						
Protection & Defence	**£55.9m**		£45.7m		£100.9m	
Dairy	**£25.2m**		£20.6m		£42.0m	
Total	**£81.1m**		£66.3m		£142.9m	
Underlying operating profit		Margin		Margin		Margin
Protection & Defence	**£8.0m**	14%	£6.6m	14%	£16.0m	16%
Dairy	**£4.0m**	16%	£3.4m	16%	£7.2m	17%
Unallocated corporate costs	**(£1.1m)**	-	(£1.0m)	-	(£1.4m)	-
Total	**£10.9m**	13%	£9.0m	14%	£21.8m	15%

Protection & Defence

Revenue for the division was 22% higher at £55.9m (2016: £45.7m) and underlying operating profit was £8.0m (2016: £6.6m) at a margin of 14%. Underlying EBITDA was up 25% at £12.1m (2016: £9.7m) with margins of 22% (2016: 21%).

M50 respirator sales to the DOD were, as expected, slightly lower at 93,000 (2016: 107,000) mask systems. During the period we received a further order for 131,000 mask systems providing good visibility of revenue under this sole source long-term contract.

Higher volumes of M61 filter pairs (107,000 pairs) were secured allowing us to deliver 95,000 M61 filter pairs during the period (2016: 36,000). We continue to believe the end user demand for this consumable product will grow as the deployment continues to expand and we anticipate further orders in the second half.

Sales to foreign military, law enforcement and first responder customers increased year on year as the portfolio continues to grow.

The acquisition of Argus has been a success and the Mi-TIC product range has contributed to the sales growth in the Fire market, where we have also seen organic growth in sales of our Deltair Self Contained Breathing Apparatus.

AEF has experienced a first half in line with prior year, reflecting the variability in timing of certain DOD procurement programmes.

Order intake for the division totalled £67.1m (2016: £55.0m). Of the closing order book of £32.5m, £19.0m is for delivery in the second half of our financial year, giving good visibility for the remainder of the year.

Negotiations with Middle East customers continue to make progress, and we expect to receive orders in this financial year.

Significant military opportunities for high value sales of M53A1 respirators and the aircrew XM69 programme are materialising to offset the expected reduction of the JSGPM M50 respirator mask programme.

Dairy

The market environment for Dairy has been positive and revenue for the division was 22% higher at £25.2m (2016: £20.6m) following the improvement in milk prices. Underlying operating profit was £4.0m (2016: £3.4m) at a margin of 16%. Underlying EBITDA grew 22% to £5.5m (2016: £4.5m) with a margin of 22% (2016: 22%).

Following an extended period of market weakness, conditions for dairy farmers, particularly in Europe, have improved as milk prices have increased. The economic justification for investment in capital is stronger resulting in further growth from the InterPuls range of products.

Our Dairy business has become less dependent on original equipment manufacturers (OEMs) as we continue to grow sales of our own higher margin milkrite|InterPuls branded products and services. We are encouraged that market share continues to increase, meaning that we exit this cyclical downturn with a more robust business, with greater strategic independence and a pipeline of R&D investments.

Following our strategy to expand Farm Services, the growth of our innovative Cluster Exchange Service remains at encouraging levels in both North America and Europe. We completed successful farm pilots for the Pulsator Exchange Service and will launch in North America during the second half of the year. The pilot farms for the Tag Exchange Service will be installed during the second half. The Farm Services model should lead to a more robust and sustainable business model with the potential to grow a significant recurring revenue stream, which is less susceptible to a cyclical milk price.

We are pleased with the integration of InterPuls into the wider Dairy business and are on track to realise the long-term strategic benefits that have been identified, in particular the sales synergies available in the North American market. InterPuls products are already being rolled out through Milkrite distribution channels with a pipeline of opportunities being developed.

In emerging markets, including China, 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. The sales and distribution operations we have opened in China and Brazil are progressing as we expand our dealer and distributor networks in these regions.

Research & Development expenditure

We continue to invest for the future and our total investment in research and development (capitalised and expensed), as shown below, amounted to £3.9m.

Half year to 31 March 2017

	Half year to 31 Mar 2017	Half year to 31 Mar 2016	Year to 30 Sep 2016
Total research and development expenditure	**£3.9m**	£3.8m	£8.3m
Less customer funded	**(£2.0m)**	(£2.2m)	(£4.3m)
Group expenditure	**£1.9m**	£1.6m	£4.0m
Capitalised	**(£0.9m)**	(£1.7m)	(£3.1m)
Income statement impact	**£1.0m**	(£0.1m)	£0.9m
Amortisation	**£2.0m**	£1.2m	£2.5m
Total income statement impact	**£3.0m**	£1.1m	£3.4m
Revenue	**£81.1m**	£66.3m	£142.9m
R&D spend as % of revenue	**4.8%**	5.7%	5.8%

In the period, increased amortisation charges of £0.3m have been taken against certain previously capitalised development costs to better reflect their future potential. In addition, impairment charges of £0.3m have been taken against a project that the management have decided to curtail.

Taxation

The statutory total charge for the period is £1.4m (2016: credit £0.5m) representing a rate of 16% (2016: credit 8%). The tax credit in 2016 arose once certain prior year tax returns had been finalised. Work is continuing to determine whether further tax provisions taken in prior years will ultimately be required.

The underlying tax charge for the period is 19% (2016: 1%).

Net Cash and Cash Flow

Underlying cash generated from operations was £17.0m up 16% on the first half of 2016.

Operating cash conversion from underlying EBITDA continues to be strong at 103% (2016: 111%) and operating cash conversion from underlying operating profit was 156% (2016: 163%).

Total capital expenditure was £2.7m (2016: £3.8m). Dividends and the purchase of own shares was £2.9m (2016: £3.3m).

Net cash at the half year was £12.6m, £10.6m higher than the 2016 year end.

Retirement Benefit Obligations

During the period, the Group and the Trustees agreed the triennial pension valuation as at 31 March 2016. This shows a deficit of approximately £35.0m.

It was agreed to increase deficit repair contributions to £1.5m per annum from £0.7m per annum. The revised contributions are payable half-yearly commencing 1 April 2017.

The IAS 19 valuation of the Group's UK retirement benefit obligations has remained relatively similar at a deficit of £40.7m (30 September 2016: deficit £39.9m) this is despite taking a more prudent view of the underlying assumptions used to calculate the deficit.

Dividends

The final dividend for the 2016 financial year of 6.32p per ordinary share was paid to shareholders on 17 March 2017 and absorbed £1.9m of shareholders' funds.

For the current financial year the Board has declared an interim dividend of 4.11p per ordinary share, an increase of 30% on the 2016 interim dividend. This will be paid on 8 September 2017 to shareholders on the register on 11 August 2017. It is expected to absorb £1.2m of shareholders' funds.

Board changes

During the period Rob Rennie and Andrew Lewis resigned and were replaced with Paul McDonald as Chief Executive Officer and Paul Rayner as Interim Group Finance Director.

On 10 May 2017 it was announced that Nick Keveth will be joining the Board as Group Finance Director on 1 June 2017 when Paul Rayner will step down from the Board.

The Board would like to express their thanks to Paul Rayner for his significant contribution as the Interim Group Finance Director.

Outlook

The first half has been positive and we continue to grow our order pipeline.

With a continued strong US dollar against sterling we anticipate a foreign exchange tailwind in 2017 compared to the last fiscal year.

Against the backdrop of anticipated increases in US defence spending and continuing improvement in milk prices the Board remains confident of achieving current year expectations.

Paul McDonald
Chief Executive Officer
16 May 2017

Paul Rayner
Interim Group Finance Director
16 May 2017

Statement of Directors' Responsibilities

The Directors confirm that this condensed consolidated interim financial information has been prepared in accordance with 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.

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
Company Secretary
16 May 2017

Consolidated Statement of Comprehensive Income

		Half year to 31 March 2017			Half year to 31 March 2016			Year to 30 Sep 2016		
		Underlying	**Adjustments***	**Statutory**	Underlying	Adjustments*	Statutory	Underlying	Adjustments*	Statutory
	Note	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Continuing operations										
Revenue	5	**81.1**	**-**	**81.1**	66.3	-	66.3	142.9	-	142.9
Cost of sales		**(51.0)**	**-**	**(51.0)**	(41.9)	-	(41.9)	(90.2)	-	(90.2)
Gross profit		**30.1**	**-**	**30.1**	24.4	-	24.4	52.7	-	52.7
Selling and distribution costs		**(10.5)**	**-**	**(10.5)**	(8.3)	-	(8.3)	(18.0)	-	(18.0)
General and administrative expenses		**(8.7)**	**(1.3)**	**(10.0)**	(7.1)	(2.4)	(9.5)	(12.9)	(4.1)	(17.0)
Operating profit	5	**10.9**	**(1.3)**	**9.6**	9.0	(2.4)	6.6	21.8	(4.1)	17.7
Operating profit is analysed as:										
Before depreciation and amortisation		**16.5**	**0.1**	**16.6**	13.2	(0.7)	12.5	30.8	(0.8)	30.0
Depreciation and amortisation		**(5.6)**	**(1.4)**	**(7.0)**	(4.2)	(1.7)	(5.9)	(9.0)	(3.3)	(12.3)
Operating profit		**10.9**	**(1.3)**	**9.6**	9.0	(2.4)	6.6	21.8	(4.1)	17.7
Finance costs	7	**(0.1)**	**-**	**(0.1)**	(0.1)	-	(0.1)	(0.2)	-	(0.2)
Other finance expense	7	**(0.1)**	**(0.5)**	**(0.6)**	(0.1)	(0.3)	(0.4)	-	(0.7)	(0.7)
Profit before taxation		**10.7**	**(1.8)**	**8.9**	8.8	(2.7)	6.1	21.6	(4.8)	16.8
Taxation	8	**(2.0)**	**0.6**	**(1.4)**	(0.1)	0.6	0.5	0.9	0.9	1.8
Profit for the period from continuing operations		**8.7**	**(1.2)**	**7.5**	8.7	(2.1)	6.6	22.5	(3.9)	18.6
Discontinued operations – loss for the period	6	**-**	**-**	**-**	-	-	-	-	(0.3)	(0.3)
Profit for the period		**8.7**	**(1.2)**	**7.5**	8.7	(2.1)	6.6	22.5	(4.2)	18.3

*See note 6 for further details of adjustments

Consolidated Statement of Comprehensive Income (continued)

		Half year to 31 March 2017			Half year to 31 March 2016			Year to 30 Sep 2016		
		Underlying	**Adjustments***	**Statutory**	Underlying	Adjustments*	Statutory	Underlying	Adjustments*	Statutory
	Note	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Other comprehensive income										
Actuarial loss recognised in retirement benefit scheme (**)		**(0.4)**	**-**	**(0.4)**	(1.8)	-	(1.8)	(23.1)	-	(23.1)
Deferred tax relating to retirement benefit scheme (**)		**0.1**	**-**	**0.1**	0.4	-	0.4	3.5	-	3.5
Net exchange differences offset in reserves (***)		**1.1**	**-**	**1.1**	3.7	-	3.7	7.9	-	7.9
Cash flow hedges (***)		**0.5**	**-**	**0.5**	-	-	-	(0.9)	-	(0.9)
Tax relating to exchange differences offset in reserves (***)		**-**	**-**	**-**	-	-	-	(1.7)	-	(1.7)
Other comprehensive income for the period, net of taxation		**1.3**	**-**	**1.3**	2.3	-	2.3	(14.3)	-	(14.3)
Profit for the period		**8.7**	**(1.2)**	**7.5**	8.7	(2.1)	6.6	22.5	(4.2)	18.3
Total comprehensive income for the period		**10.0**	**(1.2)**	**8.8**	11.0	(2.1)	8.9	8.2	(4.2)	4.0
Earnings per share										
Basic	10	**28.7p**		**24.6p**	28.7p		21.6p	74.2p		60.4p
Diluted	10	**28.3p**		**24.3p**	28.1p		21.2p	72.8p		59.2p
Earnings per share from continuing operations										
Basic	10	**28.7p**		**24.6p**	28.7p		21.6p	74.2p		61.5p
Diluted	10	**28.3p**		**24.3p**	28.1p		21.2p	72.8p		60.3p

* See note 6 for further details of adjustments
** 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 2017 £m	As at 31 Mar 2016 £m	As at 30 Sep 2016 £m
Assets				
Non-current assets				
Goodwill and acquired intangibles		**23.7**	23.3	26.0
Development expenditure and computer software		**21.7**	22.2	21.3
Property, plant and equipment		**29.1**	29.1	30.1
Deferred tax assets		**7.8**	4.6	7.8
		82.3	79.2	85.2
Current assets				
Inventories		**21.8**	20.8	20.6
Trade and other receivables		**19.8**	15.1	20.0
Cash and cash equivalents	14	**14.8**	0.8	4.5
		56.4	36.7	45.1
Liabilities				
Current liabilities				
Borrowings	14	**2.2**	0.4	2.5
Trade and other payables		**26.1**	18.0	24.2
Derivative financial instruments		**0.3**	0.3	0.9
Provisions for liabilities and charges	11	**0.7**	1.4	0.7
Current tax liabilities		**9.9**	8.7	8.3
		39.2	28.8	36.6
Net current assets		**17.2**	7.9	8.5
Non-current liabilities				
Borrowings	14	**-**	8.8	-
Deferred tax liabilities		**9.2**	10.0	10.0
Retirement benefit obligations		**40.7**	18.8	39.9
Provisions for liabilities and charges	11	**1.6**	1.6	1.8
		51.5	39.2	51.7
Net assets		**48.0**	47.9	42.0
Shareholders' equity				
Ordinary shares	12	**31.0**	31.0	31.0
Share premium account	12	**34.7**	34.7	34.7
Capital redemption reserve		**0.5**	0.5	0.5
Translation reserve		**9.7**	6.1	8.6
Accumulated losses		**(27.9)**	(24.4)	(32.8)
Total equity		**48.0**	47.9	42.0

Consolidated Cash Flow Statement

	Note	**Half year to 31 Mar 2017 £m**	Half year to 31 Mar 2016 £m	Year to 30 Sep 2016 £m
Cash flows from operating activities				
Cash generated from continuing operating activities before the impact of exceptional items	13	**17.0**	14.7	33.1
Cash impact of exceptional items		**0.3**	(0.3)	(0.4)
Cash generated from continuing operations		**17.3**	14.4	32.7
Cash used in discontinued operations		**-**	-	(0.3)
Cash generated from operations	13	**17.3**	14.4	32.4
Finance costs paid		**(0.1)**	(0.2)	(0.4)
Retirement benefit deficit recovery contributions		**(0.4)**	(0.3)	(0.7)
Tax (paid)/received		**(0.7)**	1.7	(1.0)
Net cash generated from operating activities		**16.1**	15.6	30.3
Cash flows from investing activities				
Purchase of property, plant and equipment		**(1.7)**	(2.0)	(3.5)
Capitalised development costs		**(0.9)**	(1.7)	(3.2)
Purchase of computer software		**(0.1)**	(0.1)	(0.1)
Capital expenditure		**(2.7)**	(3.8)	(6.8)
Acquisition of subsidiaries and businesses		**-**	(3.5)	(3.3)
Net cash used in investing activities		**(2.7)**	(7.3)	(10.1)
Cash flows from financing activities				
Net movements in loans		**(0.3)**	(4.6)	(12.0)
Dividends paid to shareholders		**(1.9)**	(1.5)	(2.4)
Purchase of own shares		**(1.0)**	(1.8)	(1.8)
Net cash used in financing activities		**(3.2)**	(7.9)	(16.2)
Net increase in cash, cash equivalents and bank overdrafts		**10.2**	0.4	4.0
Cash, cash equivalents and bank overdrafts at beginning of the period		**4.5**	0.3	0.3
Effects of exchange rate changes		**0.1**	0.1	0.2
Cash, cash equivalents and bank overdrafts at end of the period	14	**14.8**	0.8	4.5

Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Other reserves* £m	Accumulated losses £m	Total equity £m
At 30 September 2015	31.0	34.7	2.9	(26.4)	42.2
Profit for the period	-	-	-	6.6	6.6
Net exchange differences offset in reserves	-	-	3.7	-	3.7
Actuarial loss recognised on retirement benefit scheme	-	-	-	(1.8)	(1.8)
Deferred tax relating to retirement benefit scheme	-	-	-	0.4	0.4
Total comprehensive income for the period	-	-	3.7	5.2	8.9
Dividends paid	-	-	-	(1.5)	(1.5)
Movement in shares held by the employee benefit trust	-	-	-	(1.7)	(1.7)
At 31 March 2016	31.0	34.7	6.6	(24.4)	47.9
Profit for the period	-	-	-	11.7	11.7
Net exchange differences offset in reserves	-	-	4.2	-	4.2
Tax relating to exchange differences offset in reserves	-	-	(1.7)	-	(1.7)
Cash flow hedges	-	-	-	(0.9)	(0.9)
Actuarial loss recognised on retirement benefit scheme	-	-	-	(21.3)	(21.3)
Deferred tax relating to retirement benefit scheme	-	-	-	3.1	3.1
Total comprehensive income for the period	-	-	2.5	(7.4)	(4.9)
Dividends paid	-	-	-	(1.0)	(1.0)
At 30 September 2016	31.0	34.7	9.1	(32.8)	42.0
Profit for the period	**-**	**-**		**7.5**	**7.5**
Net exchange differences offset in reserves	**-**	**-**	**1.1**	**-**	**1.1**
Cash flow hedges	**-**	**-**	**-**	**0.5**	**0.5**
Actuarial loss recognised on retirement benefit scheme	**-**	**-**	**-**	**(0.4)**	**(0.4)**
Deferred tax relating to retirement benefit scheme	**-**	**-**	**-**	**0.1**	**0.1**
Total comprehensive income for the period	**-**	**-**	**1.1**	**7.7**	**8.8**
Dividends paid	**-**	**-**	**-**	**(1.9)**	**(1.9)**
Movement in shares held by the employee benefit trust	**-**	**-**	**-**	**(1.0)**	**(1.0)**
Movement in respect of employee share schemes	**-**	**-**	**-**	**0.1**	**0.1**
At 31 March 2017	**31.0**	**34.7**	**10.2**	**(27.9)**	**48.0**

*Other reserves consist of the capital redemption reserve of £0.5m (31 March 2016: £0.5m, 30 September 2016: £0.5m) and the translation reserve of £9.7m (31 March 2016: £6.1m, 30 September 2016: £8.6m).

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 16 May 2017.

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 2016 were approved by the Board of Directors on 16 November 2016 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 2017 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct 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 2016, which have been prepared in accordance with IFRSs as adopted by the European Union.

Having considered the Group's funding position, budgets for 2017 and three year plan, the Directors have formed a judgement 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 2016, as described in those financial statements.

Recent accounting developments

There have been no new standards or amendments which became effective for the current reporting period.

Certain changes to IFRS will be applicable to the consolidated financial statements in future years. IFRS 15 Revenue from Contracts with Customers which is effective for the Group for its 2019 financial statements and is not expected to have a material impact on Group financial statements.

IFRS 9 Financial Instruments is also effective for the Group for its 2019 financial statements and IFRS 16 Leases will be effective for the Group for its 2020 financial statements, both of which are not expected to have a material impact on the Group financial statements.

There are no other standards or interpretations that are expected to have a material effect on the Group's net assets or results.

4. Reconciliation of underlying numbers to statutory numbers for the period ending 31 March 2017

	Underlying	Adjustments	Statutory
Group EBITDA (£m)	16.5	0.1	16.6
Group operating profit (£m)	10.9	(1.3)	9.6
Other finance expense (£m)	0.1	0.5	0.6
Group profit before taxation (£m)	10.7	(1.8)	8.9
Tax charge (£m)	2.0	(0.6)	1.4
Group profit for the period (£m)	8.7	(1.2)	7.5
Basic earnings per share (pence)	28.7	(4.1)	24.6
Diluted earnings per share (pence)	28.3	(4.0)	24.3
Protection & Defence operating profit (£m)	8.0	(0.4)	7.6
Dairy operating profit (£m)	4.0	(0.7)	3.3
Cash generated from continuing operations (£m)	17.0	0.3	17.3

The adjustments comprise:

- Amortisation of acquired intangibles of £1.4m (2016: £1.7m).
- Net defined benefit pension scheme cost of £0.2m (2016: £0.2m), which relates to a scheme closed to future accrual and therefore does not relate to current operations.
- Exceptional item credit of £0.3m relating to a working capital adjustment on a business acquired in 2015 (2016: charge £0.5m relating to acquisition integration costs).
- Other finance expenses of £0.5m (2016: £0.3m) relating to the defined benefit pension scheme.

5. Segment information

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

Half year to 31 March 2017

	Protection & Defence £m	Dairy £m	Corporate costs £m	Group £m
Revenue	**55.9**	**25.2**	**-**	**81.1**
Segment result before depreciation, amortisation, exceptional items and defined benefit pension scheme costs	**12.1**	**5.5**	**(1.1)**	**16.5**
Depreciation of property, plant and equipment	**(2.0)**	**(1.1)**	**-**	**(3.1)**
Amortisation of development expenditure	**(1.8)**	**(0.2)**	**-**	**(2.0)**
Amortisation of computer software	**(0.3)**	**(0.2)**	**-**	**(0.5)**
Segment result before amortisation of acquired intangibles, exceptional items and defined benefit pension scheme costs	**8.0**	**4.0**	**(1.1)**	**10.9**
Amortisation of acquired intangibles	**(0.4)**	**(1.0)**	**-**	**(1.4)**
Exceptional items	**-**	**0.3**	**-**	**0.3**
Defined benefit pension scheme costs	**-**	**-**	**(0.2)**	**(0.2)**
Segment result	**7.6**	**3.3**	**(1.3)**	**9.6**
Finance costs	**-**	**-**	**(0.1)**	**(0.1)**
Other finance expense	**-**	**-**	**(0.6)**	**(0.6)**
Profit before taxation	**7.6**	**3.3**	**(2.0)**	**8.9**
Taxation	**-**	**-**	**(1.4)**	**(1.4)**
Profit for the period	**7.6**	**3.3**	**(3.4)**	**7.5**

Half year to 31 March 2016

	Protection & Defence £m	Dairy £m	Corporate costs £m	Group £m
Revenue	45.7	20.6	-	66.3
Segment result before depreciation, amortisation and defined benefit pension scheme credit	9.7	4.5	(1.0)	13.2
Depreciation of property, plant and equipment	(1.9)	(0.9)	-	(2.8)
Amortisation of development expenditure	(1.1)	(0.1)	-	(1.2)
Amortisation of computer software	(0.1)	(0.1)	-	(0.2)
Segment result before amortisation of acquired intangibles and defined benefit pension scheme credit	6.6	3.4	(1.0)	9.0
Amortisation of acquired intangibles	(0.8)	(0.9)	-	(1.7)
Exceptional items	(0.5)	-	-	(0.5)
Defined benefit pension scheme costs	-	-	(0.2)	(0.2)
Segment result	5.3	2.5	(1.2)	6.6
Finance costs	-	-	(0.1)	(0.1)
Other finance expense	-	-	(0.4)	(0.4)
Profit before taxation	5.3	2.5	(1.7)	6.1
Taxation	-	-	0.5	0.5
Profit for the period	5.3	2.5	(1.2)	6.6

Year ended 30 September 2016

	Protection & Defence £m	Dairy £m	Corporate costs £m	Group £m
Revenue	100.9	42.0	-	142.9
Segment result before depreciation, amortisation, exceptional items, acquisition costs and defined benefit pension scheme costs	22.4	9.8	(1.4)	30.8
Depreciation of property, plant and equipment	(3.9)	(2.0)	-	(5.9)
Amortisation of development expenditure	(2.2)	(0.3)	-	(2.5)
Amortisation of computer software	(0.3)	(0.3)	-	(0.6)
Segment result before amortisation of acquired intangibles, exceptional items, acquisition costs and defined benefit pension scheme costs	16.0	7.2	(1.4)	21.8
Amortisation of acquired intangibles	(1.5)	(1.8)	-	(3.3)
Exceptional items and acquisition costs	(0.5)	-	-	(0.5)
Defined benefit pension scheme costs	-	-	(0.3)	(0.3)
Segment result	14.0	5.4	(1.7)	17.7
Finance costs	-	-	(0.2)	(0.2)
Other finance expense	-	-	(0.7)	(0.7)
Profit before taxation	14.0	5.4	(2.6)	16.8
Taxation	-	-	1.8	1.8
Profit for the year from continuing operations	14.0	5.4	(0.8)	18.6
Discontinued operations – loss for the year	-	-	(0.3)	(0.3)
Profit for the year	14.0	5.4	(1.1)	18.3

Revenue by origin

	Half year to 31 March 2017 £m	Half year to 31 March 2016 £m	Year to 30 Sep 2016 £m
Europe	**17.3**	16.6	31.7
US	**63.8**	49.7	111.2
	81.1	66.3	142.9

Segment assets in Europe and the US were £70.7m and £68.0m respectively (31 March 2016: £58.0m and £58.0m, 30 September 2016: £60.3m and £70.0m).

6. Adjustments and discontinued operations

	Half year to 31 March 2017 £m	Half year to 31 March 2016 £m	Year to 30 Sep 2016 £m
Amortisation of acquired intangible assets	**(1.4)**	(1.7)	(3.3)
Acquisition integration costs	**-**	(0.5)	(0.5)
Post-acquisition working capital adjustment	**0.3**	-	-
Defined benefit pension scheme administration costs	**(0.2)**	(0.2)	(0.3)
	(1.3)	(2.4)	(4.1)

The deferred tax impact gives rise to a credit to the income statement of £0.6m (31 March 2016: £0.6m, 30 September 2016: £0.9m).

The integration costs in 2016 relate to the acquisition of the Argus thermal imaging camera business and the relocation of the manufacturing to our Melksham, UK site.

Defined benefit pension scheme costs relate to administrative expenses of the scheme which is closed to future accrual. £0.5m of other finance expense relating to the pension scheme is also treated as an adjustment (31 March 2016: £0.3m, 30 September 2016: £0.7m).

The 2016 loss for the year from discontinued operations related to dilapidations costs of former leased premises of a business which was disposed of in 2006.

7. Finance income and costs

	Half year to 31 Mar 2017 £m	Half year to 31 Mar 2016 £m	Year to 30 Sep 2016 £m
Interest payable on bank loans and overdrafts	**(0.1)**	(0.1)	(0.2)

Other finance expense

	Half year to 31 Mar 2017 £m	Half year to 31 Mar 2016 £m	Year to 30 Sep 2016 £m
Net interest cost: UK defined benefit pension scheme	**(0.5)**	(0.3)	(0.7)
Provisions: Unwinding of discount	**(0.1)**	(0.1)	-
	(0.6)	(0.4)	(0.7)

8. Taxation

	Half year to 31 Mar 2017 £m	Half year to 31 Mar 2016 £m	Year to 30 Sep 2016 £m
United Kingdom	**(1.3)**	(1.3)	(2.7)
Overseas	**(0.7)**	1.2	3.6
Underlying tax (charge)/credit	**(2.0)**	(0.1)	0.9
Effect of exceptional items	**0.6**	0.6	0.9
Statutory tax (charge)/credit	**(1.4)**	0.5	1.8

The statutory effective tax rate for the period is a charge of 16% (31 March 2016: credit of 8%, 30 September 2016: credit of 11%).

The underlying effective tax rate, where the tax charge and the profit before taxation are adjusted for exceptional items, the amortisation of acquired intangibles and defined benefit pension scheme costs is 19% (31 March 2016: 1%, 30 September 2016: 4% credit).

9. Dividends

On 2 February 2017, the shareholders approved a final dividend of 6.32p per qualifying ordinary share in respect of the year ended 30 September 2016. This was paid on 17 March 2017 absorbing £1.9m of shareholders' funds.

The Board of Directors has declared an interim dividend of 4.11p (2016: 3.16p) per qualifying ordinary share in respect of the year ended 30 September 2017. This will be paid on 8 September 2017 to shareholders on the register at the close of business on 11 August 2017. In accordance with accounting standards, this dividend has not been provided for. It will be recognised in shareholders’ funds in the year to 30 September 2017 and is expected to absorb £1.2m (2016: £1.0m) of shareholders’ funds.

10. Earnings per share

Basic earnings per share is based on a profit attributable to ordinary shareholders of £7.5m (2016: £6.6m) and 30,410,000 (2016: 30,248,000) ordinary shares being the weighted average number of shares in issue during the period.

Underlying earnings per share is based on a profit attributable to ordinary shareholders of £8.7m (2016: £8.7m) after adding back amortisation of acquired intangible assets, exceptional items and defined benefit pension scheme costs.

The Company has 463,000 (1.5%) (2016: 587,000 (1.9%)) potentially dilutive ordinary shares in respect of the Performance Share Plan.

11. Provisions for liabilities and charges

	Property obligations £m
Balance at 30 September 2016	2.5
Payments in the period	**(0.3)**
Unwinding of discount	**0.1**
Balance at 31 March 2017	**2.3**

Property obligations include an onerous lease provision and obligations relating to former premises of the Group which are subject to dilapidation risks. Property provisions are subject to uncertainty in respect of the utilisation, non-utilisation, or subletting of surplus leasehold property and the final negotiated settlement of any dilapidation claims with landlords.

12. Share capital

	Half year to 31 Mar 2017	Half year to 31 Mar 2016	Year to 30 Sep 2016
Number of shares (thousands)	**31,023**	31,023	31,023
Ordinary shares (£m)	**31.0**	31.0	31.0
Share premium (£m)	**34.7**	34.7	34.7

During the period 100,000 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 £1,027,000 and 253,000 ordinary shares of £1 each were awarded in relation to the 2016 annual incentive plan.

13. Cash generated from operations

	Half year to 31 Mar 2017 £m	Half year to 31 Mar 2016 £m	Year to 30 Sep 2016 £m
Continuing operations			
Profit for the period	**7.5**	6.6	18.6
Adjustments for:			
Taxation	**1.4**	(0.5)	(1.8)
Depreciation	**3.1**	2.8	5.9
Amortisation of intangible assets	**3.9**	3.1	6.4
Defined benefit pension scheme costs	**0.2**	0.2	0.3
Finance costs	**0.1**	0.1	0.2
Other finance expense	**0.6**	0.4	0.7
Movements in working capital and provisions	**0.5**	1.6	2.4
Other movements	**-**	0.1	-
Cash generated from continuing operations	**17.3**	14.4	32.7
Analysed as:			
Cash generated from continuing operations prior to the effect of exceptional operating items	**17.0**	14.7	33.1
Cash effect of exceptional operating items	**0.3**	(0.3)	(0.4)
Cash used in discontinued operations	**-**	-	(0.3)
Cash generated from operations	**17.3**	14.4	32.4

14. Analysis of cash and debt

	As at 30 Sep 2016 £m	Cash Flow £m	Exchange movements £m	**As at 31 Mar 2017 £m**
Cash at bank and in hand	4.5	10.2	0.1	**14.8**
Debt due in less than 1 year	(2.5)	0.3	-	**(2.2)**
	2.0	10.5	0.1	**12.6**

Borrowing facilities

	As at 31 Mar 2017 £m	As at 31 Mar 2016 £m	As at 30 Sep 2016 £m
Total undrawn committed facilities	**31.6**	21.1	30.6
Bank loans and overdrafts utilised	**2.2**	8.6	2.5
Utilised in respect of guarantees	**0.3**	0.3	0.3
Total Group facilities (excluding accordion option of $35m)	**34.1**	30.0	33.4

All facilities are at floating interest rates.

On 9 June 2014 the Group agreed bank facilities with Barclays Bank and Comerica Bank. The combined facilities comprise a revolving credit facility of $40m with a $35m accordion option. The facilities expire on 30 November 2019. This facility is priced on the 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 2017 and 2016.

InterPuls S.p.A has a fixed term loan of €2.5m which expires in August 2020. This facility is priced on EURIBOR plus margin of 0.9%.

15. Exchange rates

The following significant exchange rates applied during the period.

	Average rate H1 2017	**Closing rate H1 2017**	Average rate H1 2016	Closing rate H1 2016	Average rate FY 2016	Closing rate FY 2016
US dollar	**1.24**	**1.25**	1.46	1.43	1.42	1.30
Euro	**1.16**	**1.17**	1.33	1.25	1.28	1.16

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.

16. Principal risks and uncertainties

The principal risks and uncertainties impacting the Group are described on pages 28-31 of our Annual Report 2016 and remain unchanged at 31 March 2017.

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

17. Related party transactions

There were no related party transactions during the period or outstanding at the end of the period (2016: £nil).

CORPORATE INFORMATION

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

BOARD OF DIRECTORS
David Evans (Chairman)
Pim Vervaat (Non-Executive Director)
Chloe Ponsonby (Non-Executive Director)
Paul McDonald (Chief Executive Officer) – Appointed 15 February 2017
Paul Rayner (Interim Group Finance Director) – Appointed 1 December 2016

COMPANY SECRETARY
Miles Ingrey-Counter

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