AVON PROTECTION

PROTECTING WITH PURPOSE

AVON PROTECTION PLC

ANNUAL REPORT AND ACCOUNTS 2022

OUR MISSION

We make products that are trusted to protect the world's militaries and first responders.

Our dedicated teams achieve this by developing mission-critical solutions that enhance our customers' performance, efficiency and capability, whilst providing ever-increasing levels of protection.

With a portfolio that includes respiratory and head protection systems, we are renowned for our innovative thinking and our steadfast approach to manufacturing unrivalled products.

FINANCIAL HEADLINES

Orders received	Revenue	Adjusted operating profit	Operating loss
$280.1m	$271.9m	$10.1m	$(2.1)m

Adjusted basic earnings per share	Basic loss per share	Dividend per share	Closing order book
20.4c	(25.1)c	44.9c	$151.3m

HIGHLIGHTS

Our mission is only achievable as a result of the exceptional people we have across the business. We are incredibly proud of their hard work and dedication and have watched them achieve great things together this year.

WE ARE GROWING OUR CORE BY MAXIMISING OPPORTUNITIES

Delivering Growing The Core: Kent's Story on page 27

Read more on our strategy on page 26

WE ARE ADVANCING OUR PRODUCT DEVELOPMENT TO PROTECT PEOPLE

Advancing Product Development: Justin's Story on page 29

Read more on our strategy on page 26

WE ARE INTEGRATING RECENT ACQUISITIONS TO BUILD A STRONGER BUSINESS

Integrating Acquisitions: Lauren's story on page 31

Read more on our strategy on page 26

OUR PURPOSE

We make products that are trusted around the world to protect militaries and first responders in the most hostile of environments. Our products enable our customers to not only complete their mission safely and with confidence, but also enhance their capability and performance.

OUR CULTURE

Pre-emptive
We use our ingenuity to design next generation protection, constantly anticipating and adapting to the ever-increasing needs of our customers.

Fearless
We are leaders in our field, pushing the boundaries of what others think is possible.

Targeted
We set a clear strategy, identifying key priorities and the resources we require for success – and then work to make this a reality to grow and evolve.

Read more on our culture on page 52

OUR STRATEGY

Growing the core
We are recognised as the leader within our chosen market segments. There are further opportunities to maximise growth from our product portfolio.

Selective product development
We have a reputation for technological excellence and innovation, with a strong tradition of new product development.

Value enhancing acquisitions
We target carefully selected, value enhancing acquisitions to complement our organic growth and enable us to enter adjacent product and market segments.

Read more on our strategy on pages 26–31

SUPPORTED BY

Our people and culture
Our people are at the heart of everything we do.

Read more on page 52

Robust risk management
We have an established process for the identification and management of risk.

Read more on page 62

Responsible approach to sustainability
We have a fundamental role to play in minimising our environmental impact on the world.

Read more on page 42

Effective governance
We are committed to high standards of corporate governance as set out in the U.K. Corporate Governance Code.

Read more on page 72

OUR PRODUCTS

Respiratory protection

We have an extensive history of providing respiratory protection and a comprehensive knowledge of our customers' requirements for respirators, powered and supplied air systems, filters, spares and accessories.

Read more on page 16

Head protection

We have a deep understanding of traumatic brain injury (TBI) which enables us to design next generation ballistic helmets and bump protection helmets, as well as helmet liner and retention systems.

Read more on page 18

OUR MARKETS

U.S. DOD

$218m

Total market opportunity

Read more on page 10

Commercial Americas

$130m

Total market opportunity

Read more on page 12

U.K. & International

$561m

Total market opportunity

Read more on page 14

OUR PEOPLE

Global operations

We operate on a global scale with sites located in the U.S. and the U.K.

6

Sites in the U.K. and the U.S.

Talented people

Our people are at the heart of everything we do, with everyone focused on protecting our customers.

1,000+

Number of employees

OUR INVESTMENT CASE IS DRIVEN BY OUR CLEAR STRATEGY TO GENERATE LONG-TERM GROWTH

LARGE ADDRESSABLE MARKETS

Our world-leading portfolio, combined with strong relationships with our long-term customers, like the U.S. DOD and U.K. MOD, positions us well in growing markets with opportunities for share gain.

$9.8bn

Total market opportunity (2021–2030)

Read more about our markets on page 10

INVESTING IN INNOVATION

We continue to develop our product portfolio in partnership with our customers to ensure their exacting performance requirements are met, whilst providing a committed and commercial route to market to maximise our return on investment.

4–7%

Total R&D as a percentage of revenue

Read more about our business model on page 20

TALENTED AND DEDICATED PEOPLE

Our people are at the heart of everything we do. We aim to attract and retain the best people to establish a culture that gives all individuals the opportunity and support to develop to their full potential.

We are committed to making Avon Protection a great place to work by investing in the development and wellbeing of our people, celebrating diversity and inclusion and listening and responding to our colleagues through increased levels of engagement.

Read more about our employee-centric approach on page 52

> **WE HAVE A HIGHLY SKILLED TEAM, STRONG MARKET POSITIONS AND WORLD-LEADING TECHNOLOGY. COMBINED WITH OUR LONG-TERM STRATEGY TO DRIVE SUSTAINABLE GROWTH WE ARE CONFIDENT IN OUR ABILITY TO DELIVER VALUE FOR OUR STAKEHOLDERS.**

STRONG CASH CONVERSION

Our objective of delivering adjusted EBITDA cash conversion of 90% or more provides the cash flow to fund our growth strategy.

90%+

Adjusted EBITDA cash conversion

Read more about our financial performance on page 56

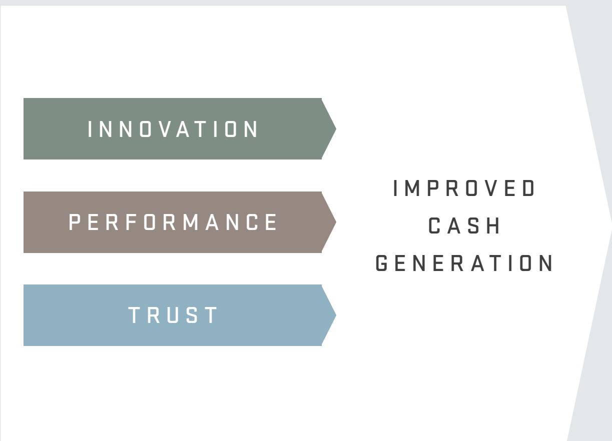
DEVELOPING SUSTAINABILITY AGENDA

We protect; it's ingrained within our culture and is at the heart of everything we do. This includes a commitment to protecting the communities and environment in which we operate to ensure a sustainable future for us all.

2045

Net Zero target

DISCIPLINED APPROACH TO CAPITAL ALLOCATION



	Key priorities for capital
1. Invest in the business	• R&D pipeline (including business development) • Manufacturing capacity • New products
2. Dividends	• Target increase in cover before returning to dividend growth
3. Other M&A	• Strict discipline on value creation
4. Other returns to shareholders	• Special dividends and share buybacks

A STRONG PIPELINE OF OPPORTUNITY

I want to thank our people for their continued effort, focus and commitment to delivering this year's results.

Bruce Thompson
Executive Chair

I want to start by thanking our people in our operations across the world, who have continued to work with enthusiasm and determination in what has been a challenging period for the Group. As COVID-19 restrictions eased, I and the rest of the Board were delighted to have the opportunity to visit our U.S. operating sites and meet a number of our teams face to face. It is clear to see that at the core of our DNA is pride for our products and the protection they provide the user.

Strategy and results

At Avon Protection, our purpose is clear – to provide trusted and innovative solutions to enable those at risk to perform their mission safely and with confidence.

To deliver this purpose and create value for all our stakeholders, our strategy has three main elements. Firstly, we grow the core by leveraging our existing product portfolio to widen our customer base. Secondly, we invest selectively in new product development to maintain our leadership in innovation and finally we aim to extend our business capabilities and accelerate our organic growth through carefully selected, value enhancing acquisitions.

2022 has been my first full year as Chair of the Board and has presented both challenges and opportunities for the Group. In the first half of the year, we experienced subdued demand post-Afghanistan and pre-Ukraine leading to delays in orders and approval processes, impacting both operational planning and supply chain management. As reported at the half year, additional manufacturing costs due to supply chain and process inefficiencies and the level of product development work impacted profitability. In addition, following the strategic decision to exit the armor business announced last year, body armor has continued to be a headwind in our reported results, but we expect to have fully exited this business by the end of 2023.

After the challenges encountered during the first half, I am pleased to report the second half was characterised by a step-up in financial performance and improved operational delivery. Given the current increased threat environment, prompted by the ongoing events in Ukraine, the Group experienced increased demand with more urgency in order placement and technical approvals. In Respiratory, we have delivered over 65,000 50 series respirators to protect military, government and humanitarian personnel in Ukraine throughout the year. This increase in demand has given us confidence to buy-forward inventory and lean forward into production which has improved our ability to react to the current higher threat environment.

In Head Protection, the award of the U.S. DOD next generation Advanced Combat Helmet (ACH GEN II) contract earlier in the year and the first delivery order in September from the U.S. Army under the Next Generation IHPS (NG IHPS) contract have established Avon Protection as the global leader in head protection technology. This has been achieved by combining the strengths of Ceradyne's ballistic shell technology with Team Wendy's helmet liner and retention system technologies.

Now more than ever it is clear our world-leading products and solutions in both the respiratory and head protection markets have a key role to play in protecting service personnel in an increasingly unstable environment.

Dividend

The Board is recommending a final dividend of 30.6 cents per share which together with the 14.3 cents per share interim dividend, gives a total dividend of 44.9 cents, consistent with last year.

Our policy is to grow dividends in line with adjusted earnings growth. Given the decline in earnings over the last two years, we would not seek to grow dividends further ahead of an increase in dividend cover.

Q&A

We talked to Jos Sclater, incoming Chief Executive Officer, on his appointment.

Q Can you tell us about your career history?

A I've spent the last three years as Group Chief Financial Officer at Ultra Electronics plc where I led a broad-based transformation programme focused on improving growth and efficiency. I also had group-wide responsibility for the Finance, Treasury, IT, Procurement, Transformation, Continuous Improvement and Risk functions, as well as direct oversight of Ultra's Forensic Technology and Energy business.

Prior to this, I was Group Chief Financial Officer at Castrol Lubricants and, before that, spent seven years at GKN plc, including as Group Chief Financial Officer and Director of Corporate Finance and Strategy. I started my career as a qualified solicitor and have held in-house legal and M&A roles at ICI plc, AkzoNobel N.V. and GKN plc.

Q What excites you about joining Avon Protection?

A Avon Protection is a business with a proud history and an exciting future. The Group has unique technologies with global market-leading positions in respiratory and head protection markets. I am excited by its growth potential, and I very much look forward to leading the next stage of its development.

Jos Sclater
Incoming Chief Executive Officer

Advancing our sustainability agenda

Establishing the foundations of our sustainability agenda has been a key focus in 2022 and I am pleased with the progress made this year. We recognise the importance of ensuring we proactively engage with our stakeholders in this area as expectations continue to grow. This year we carried out a materiality assessment to ensure our efforts are focused on the sustainability aspects that are most material to our stakeholders.

We committed in last year's report to achieving net zero by 2045 at the latest. This year we have focused on gaining a better understanding of our data, in order to ensure accuracy and set an appropriate base year for setting targets against, as we continue working on our detailed Net Zero Plan. In addition, this year is our first year publishing our Task Force on Climate-Related Financial Disclosures (TCFD) Statement. To ensure focus and greater transparency of our sustainability agenda, a new governance framework has been put in place. The Board takes overall responsibility for our sustainability agenda, disclosure and reporting. A Sustainability Steering Committee, chaired by our Chief Financial Officer, Rich Cashin, has been established with responsibility for the implementation and delivery of our sustainability agenda on behalf of the Board.

Health, safety and wellbeing of our people

Protecting the health, safety and wellbeing of our people remained a key priority in 2022. In line with our goal of zero harm, we continue to actively promote a strong safety culture at all our sites.

Previously, the Board established a Global Employee Advisory Forum as its employee engagement mechanism. This has generated a significant increase in dialogue between the Board and the Group's employees. With easing travel restrictions, the Board this year has been able to visit the sites in person and hear directly from employees about issues they face on a day-to-day basis.

Governance and the Board

The Board brings together a diverse range of relevant skills and expertise. There have been several changes to the Board during the year. Nick Keveth retired as Chief Financial Officer on 31 March 2022 and was replaced by Rich Cashin, who has proved to be a strong addition to the Board. After 5 years as Chief Executive Officer, and more than 19 years with the Company, Paul McDonald stepped down as Chief Executive Officer on 30 September 2022. On 17 October I was delighted to announce Jos Sclater will join the Board as Chief Executive Officer with effect from 16 January 2023. As previously confirmed to shareholders in September, I have taken on the role of Executive Chair for the interim period until Jos is in place as our new Chief Executive Officer. The Board therefore currently comprises one Executive Director, three independent Non-Executive Directors and myself as Executive Chair.

We conducted an internal Board performance evaluation this year and remain confident that the Board continues to operate to high standards as a cohesive body with a good balance of support and challenge. Full details of this year's evaluation are contained in the Governance section of this Annual Report. The Board regularly reviews its composition to ensure it has the necessary breadth and depth of skills and experience to support the development of the Group and will repeat this review once the new Chief Executive Officer is in place and established.

Looking ahead to 2023 with confidence

We have made good progress in 2022 preparing Avon Protection for a new chapter of growth and future value generation, including restructuring several areas of the business, improving operational efficiency, right-sizing overhead costs and strengthening Executive management with the appointments of Rich Cashin as Chief Financial Officer and Jos Sclater as our new Chief Executive Officer. While not underestimating the challenges in execution of our strategy, I am confident the Group is well positioned moving forward to deliver long-term sustainable growth for the benefit of all our stakeholders.

Bruce Thompson
Executive Chair

22 November 2022

> I TRULY FEEL LIKE I AM PART OF A GROUP THAT MAKES A DIFFERENCE AND I STILL GET CHILLS WHENEVER I HEAR ONE OF OUR HELMETS HAS HELPED SAVE A LIFE.

Ryan Doris
Mechanical Engineer

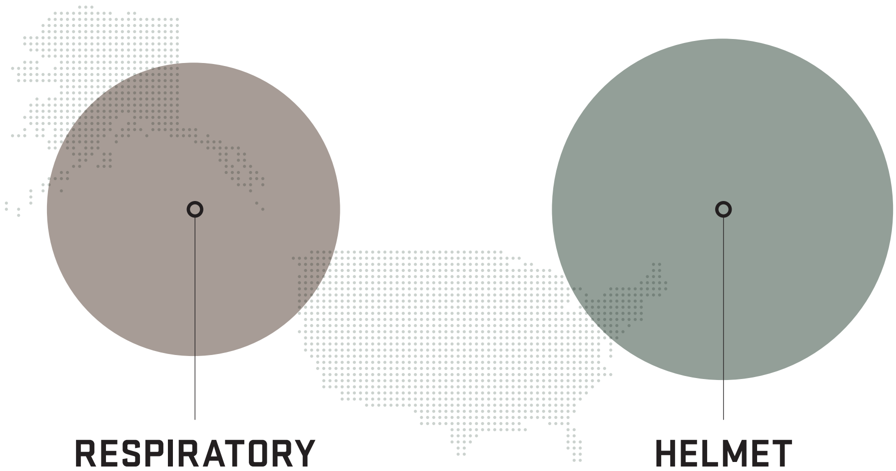
STRATEGIC REPORT

CONTENTS

MARKET OVERVIEW
U.S. DEPARTMENT OF DEFENSE

Defence budgets are expected to flatten over the next five years, but the U.S. will remain the world's largest and most sophisticated market.

2022 ANNUAL REVENUE OPPORTUNITY FOR BALLISTIC HELMETS AND RESPIRATORY PROTECTION IN ADDRESSABLE DOD MARKETS*



RESPIRATORY

$92m

HELMET

$126m

TOTAL

$218m

* Forecast in 2021 prior to Ukraine conflict and other market developments.

HEIGHTENED THREAT ENVIRONMENT

The war in Ukraine has had far-reaching consequences on the geopolitical climate. In response, the U.S. has led military support to Ukraine and has provided significant security assistance, including technology and equipment transfer. In addition, the U.S. and other countries around the world have imposed unprecedented sanctions and export controls restricting Russia's access to funding and critical technology.

INCREASED SPENDING

The U.S. announced it will increase spend to $813 billion or 3.8% of GDP. China also announced an increase in military spending, with a 7.1% rise planned for 2022 relative to the previous year. Neither appear to be directly related to the war in Ukraine, but rather to international and regional geopolitics. China's growing assertiveness in and around the South and East China Seas has also become a major driver of military budgeting in countries such as Australia and Japan.

MANAGING INFLATION

Energy prices have been rising since last year as the economic recovery from the pandemic encountered overburdened supply chains and the war in Ukraine has caused trade and production disruptions. Despite global defence budgets being increased, we expect them to be put under pressure by increased inflation. Inflation is expected to have an impact on business operations and emphasises our continued focus on international expansion to mitigate the risk of exposure to fixed-price contracts which are common in the U.S.

LINK TO STRATEGY

GROWING THE CORE

Enduring revenue streams
We are the sole-source supplier to the U.S. DOD for the Joint Service General Purpose Mask (JSGPM), M69 aircrew mask, M53A1 mask and powered air system and ACH GEN II, as well as dual-source supplier of the NG IHPS. These contracts solidify our position as the principal choice with the U.S. DOD for respiratory and head protection with four major branches of the DOD using our products including the Army, Navy, Air Force and Marine Corps. Our large base also positions us well for through-life support programmes.

ADVANCING PRODUCT DEVELOPMENT

New programmes
We received the first delivery order from the U.S. Army worth $42.1 million for the NG IHPS. Manufacturing ramp-up is progressing to plan after completing rigorous testing. The receipt of this first delivery order is an important milestone for the NG IHPS, and a critical step in getting our advanced life-saving technology rolled out to U.S. military personnel. This programme cements our position as a global leader in head protection technology, and specifically as a centre of excellence in high-specification ballistic helmets.

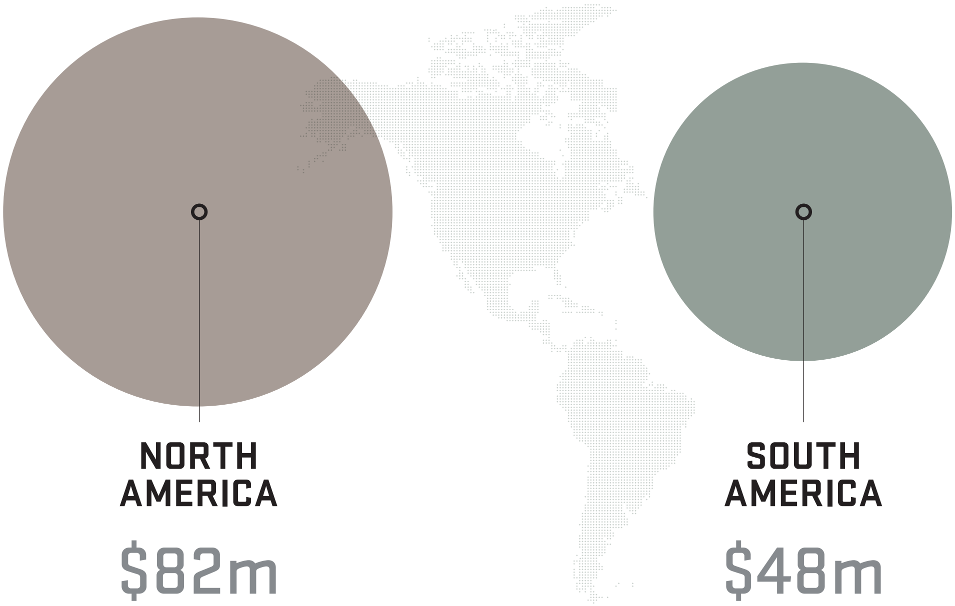
INTEGRATING ACQUISITIONS

Cross-functional collaboration
During the year, Head Protection collaborated to develop an updated liner system for the NG IHPS which utilises technology from the Team Wendy product line. This is expected to be introduced in 2023 following the receipt of the first delivery order.

MARKET OVERVIEW COMMERCIAL AMERICAS MARKET

The increased threat posed by terrorists and civil unrest is driving demand for more advanced respiratory and head protection.

2022 ANNUAL REVENUE OPPORTUNITY FOR BALLISTIC HELMETS AND RESPIRATORY PROTECTION IN ADDRESSABLE COMMERCIAL AMERICAS MARKET*



TOTAL
$130m

* Forecast in 2021 prior to Ukraine conflict and other market developments.

INCREASED VIOLENT DEMONSTRATIONS

Terrorist attacks, civil unrest and organised crime are multiplying the risks of chemical, biological, radiological and nuclear (CBRN) and ballistic threats.

The frequency and severity of violent demonstrations has increased across almost all regions of the world resulting in clashes with first responders. North America recorded the second largest deterioration of any region in the 2022 Global Peace Index.

CHANGING THREAT

The world is confronting overlapping crises of unprecedented scope and scale. Amongst other negative consequences, the pandemic continues to hamper economic and social activity and the threat environment continues to shift across the world.

First responders are expected to react to these shifting threat environments which continue to demand the level of protection often associated with military applications.

LINK TO STRATEGY

GROWING THE CORE

Sales record
The team in Cleveland has completed four major annual e-commerce sales this year for Team Wendy helmets including Fourth of July and Amazon Prime Day.

During the Fourth of July sale, the team processed 800+ orders with total sales 72% higher than last year with the EXFIL LTP the most popular helmet sold.

ADVANCING PRODUCT DEVELOPMENT

Recognised for innovation
The CH15 Compact Escape Hood won Best International Industrial Product Design award at The Plastics Industry Awards, an annual event dedicated to rewarding innovation and exceptional performance. One of the key design objectives for the product was to reduce the number of components compared to the previous generation product, which led to an overall reduction in mass by 22%.

INTEGRATING ACQUISITIONS

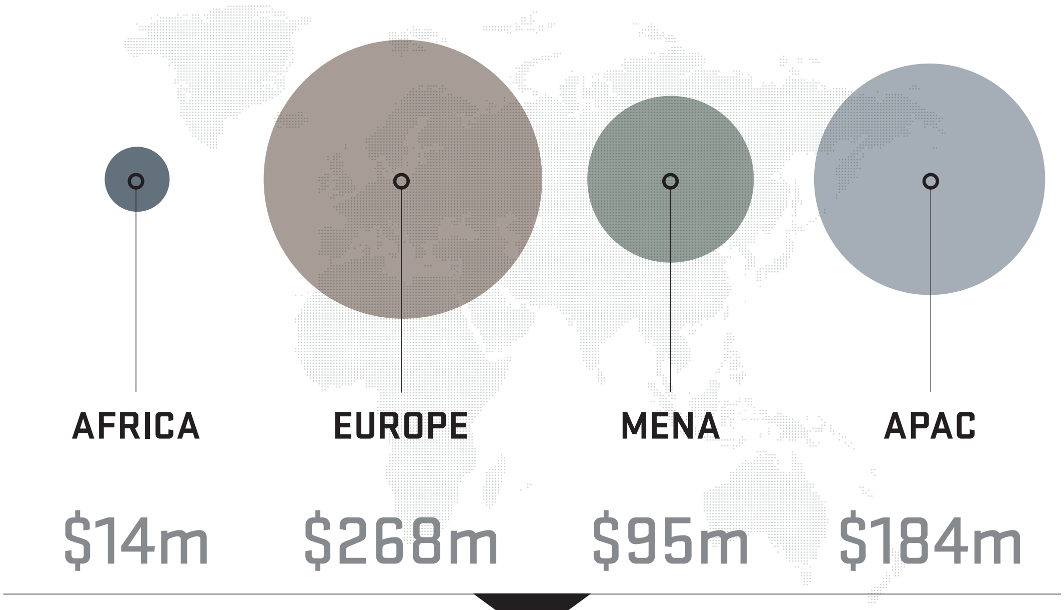
Strengthened brand recognition
For many years Team Wendy has been at the forefront of traumatic brain injury prevention, through participation in cutting-edge research programmes and thoughtful design of complete helmet systems from the inside out.

Though Team Wendy and Avon Protection are distinct brands with different product lines, their shared dedication to protecting those who risk their lives every day makes them complementary within the Group.

MARKET OVERVIEW U.K. & INTERNATIONAL MARKETS

The current threat environment is driving a greater focus on protective technologies and capabilities throughout Europe and beyond, giving rise to a dynamic-demand environment.

2022 ANNUAL REVENUE OPPORTUNITY FOR BALLISTIC HELMETS AND RESPIRATORY PROTECTION IN ADDRESSABLE U.K. & INTERNATIONAL MARKETS*



TOTAL

$561m

* Forecast in 2021 prior to Ukraine conflict and other market developments.

CHANGED SECURITY THREAT

We continue to see the ever-present threat of the use of CBRN capabilities against NATO, with China continuing to increase its stockpile of nuclear capable weapons, Iran claiming to be nuclear weapon capable and North Korea testing missiles of varying ranges to carry nuclear and chemical warheads.

The non-state threat is also high as toxic industrial chemicals are unregulated in most countries presenting little obstruction to those who would use them to achieve their aims.

NATO RESPONSE

Even if CBRN threats are considered a remote possibility, the effects of such an attack would be devastating and are increasingly considered by NATO nations and their broader allies as they recapitalise and grow investment in their ability to defend against such an attack, whilst continuing to operate in the hostile conditions it creates.

NATO pursued the biggest overhaul of its collective deterrence since the Cold War this year. The number of troops on high alert has increased from 40,000 to 300,000 troops and it has also pledged to provide Ukraine with protective equipment against CBRN threats.

INCREASED BUDGETS

We are seeing higher public defence spending as a result of the increased demand for personal protective equipment in the medium and long-term, with world military spending reaching an all-time high of $2.1 trillion in 2021.

Many NATO countries have also announced clear plans to reach 2% GDP target by 2024. This will likely result in upgrade programmes across NATO and militaries globally over the coming years.

LINK TO STRATEGY

GROWING THE CORE

Diversified customer base

The sole-source framework respirator contract with the NATO Support and Procurement Agency (NSPA), which allows NATO and associate members to order from our portfolio of respiratory products under standard pre-negotiated terms, is an important route to market for us. The benefits of this contract are ever-more evident in the current environment where ease of ordering is paramount in a fast-moving situation. On behalf of various NATO governments, we have delivered over 65,000 50 series respirators to protect military, government and humanitarian personnel in Ukraine throughout the year.

ADVANCING PRODUCT DEVELOPMENT

Adjacent technologies

In response to rising chemical weapon threats, we developed the EXOSKIN range of CBRN boots and gloves to protect personnel without compromising the wearer's tactical agility in the field. In expanding our offerings into protective garments, we aim to provide the full scope of integrated protective wear that can be scaled to suit changing threat environments and readiness levels.

INTEGRATING ACQUISITIONS

Working in partnership

Head Protection has collaborated on major tender processes as well as opportunities to enhance our helmet portfolio. In particular, collaborated efforts have focused on the development of the F90, our first combined commercial helmet for first responders and Rest of World militaries. This helmet combines the Ceradyne ballistic helmet shell forming capabilities and Team Wendy's liner and retention.

RESPIRATORY PROTECTION

Our leading range of respiratory protection includes respirators, powered and supplied air systems, filters, spares and accessories, as well as underwater systems and CBRN protective wear.

EXAMPLES OF OUR RESPIRATORY AND CBRN PROTECTION PORTFOLIO

RESPIRATORS

50 SERIES

The M50 and FM50 masks are the most advanced military general service respiratory protection masks to date, offering significant improvement in comfort, usability, operational effectiveness and protection. The C50 mask is based on the M50 and is the leading mask used by U.S. law enforcement agencies, offering high protection, outstanding field of vision, and superior comfort. The PC50 was developed for budget challenged prisons, correctional officers, border control and other non-CBRN requirements that require protection in dangerous and contaminated environments. The FM53 and FM54 masks were developed specifically for specialist applications where the user needs to respond to ever-changing operational conditions.

GSR

The standard issue to all U.K. service personnel across the Army, RAF and Navy, the General Service Respirator's (GSR) twin-canister, single-visor design is to the U.K. MOD's precise specification and features high-performance filtration technology.

SPARES AND ACCESSORIES

We offer service support to global customers through replacement filters, spares, accessories and tactical mask communication systems providing through-life support to our range of respirators and other life sustaining equipment.

ESCAPE HOODS

Our range of escape hoods, including the new CH15 escape hood, provides portable protection. The ultra-low profile makes them more convenient to carry and enhances the range of respiratory protection available to escape a hostile situation.

POWERED AND SUPPLIED AIR

Designed for specialist capabilities, our complementary value-added subsystems extend operational capability. Our range of Powered Air Purifying Respirators (PAPR), Self-Contained Breathing Apparatus (SCBA) or a combination of the two (CS-PAPR) can be deployed with our respirators to provide clean, breathable air.

UNDERWATER SYSTEMS

Our MCM100 is a fully closed circuit, electronically controlled, mixed gas rebreather suitable for a range of specialist military or tactical diving disciplines, such as mine clearance or explosives disposal.

THERMAL IMAGING CAMERAS

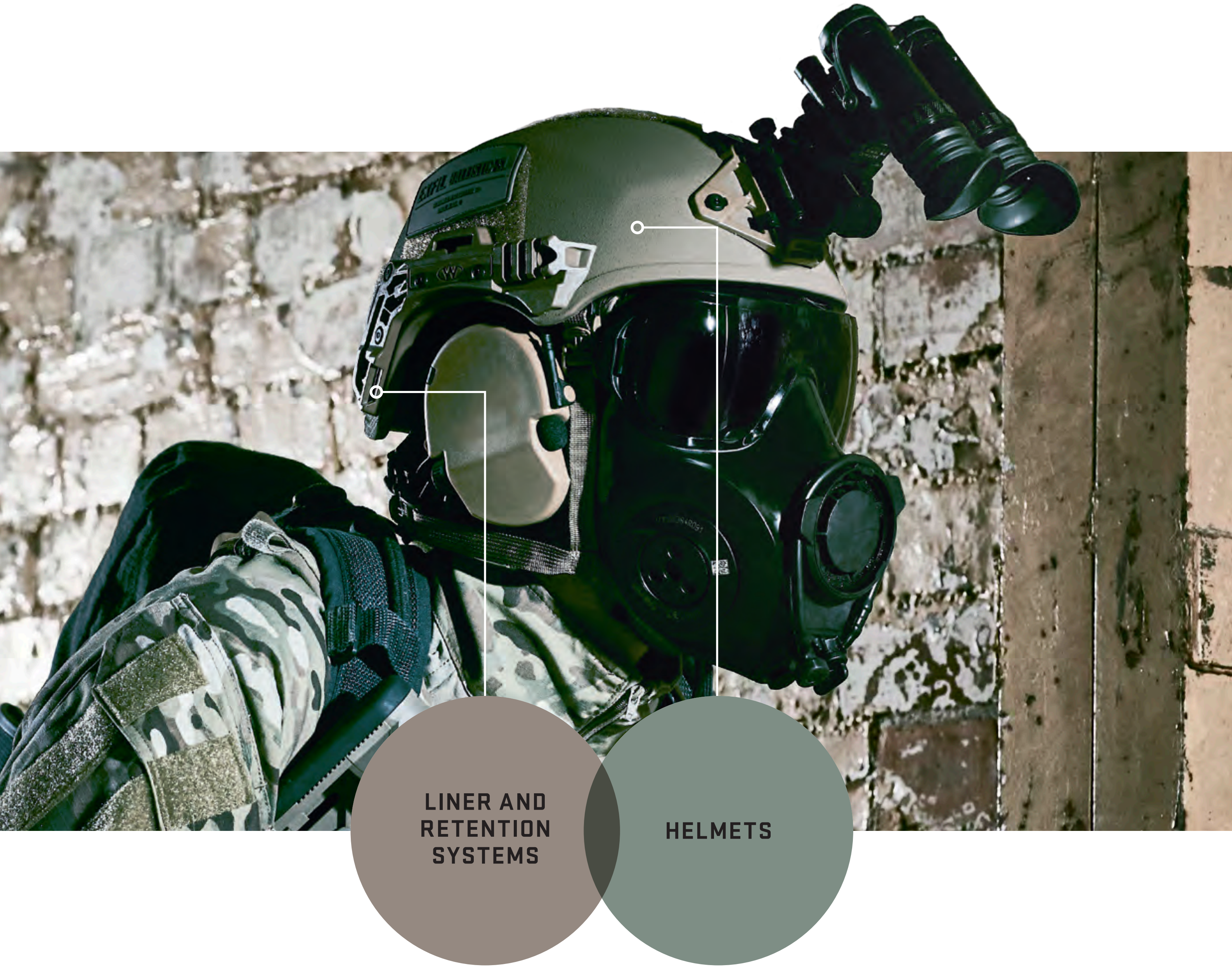
Our Mi-TIC range of Thermal Imaging Cameras includes the lightest and smallest thermal imagers available certified to comply with NFPA 1801:2021, alongside a wider range of cameras developed from the same technology.

CBRN PROTECTIVE WEAR

With an extensive knowledge of military and first responder CBRN requirements, we developed EXOSKIN-B1 CBRN Boots and EXOSKIN-G1 CBRN Gloves, designed to meet the unique requirements of the modern warfighter and tactical operator.

HEAD PROTECTION

Our head protection portfolio is focused on next generation ballistic helmets and bump protection helmets, as well as helmet liner and retention systems.



EXAMPLES OF OUR HEAD PROTECTION PORTFOLIO

HELMETS

ACH GEN II

ACH GEN II is a new lighter weight version of the U.S. military's general issue ballistic helmet, making it more comfortable for the user to wear.

NG IHPS

The Next Generation Integrated Head Protection System (NG IHPS) is one of four major components of the U.S. Army's Soldier Protection System. The NG IHPS provides lightweight and high-performance head protection to U.S. soldiers.

F90

The F90 ballistic helmet features the perfect combination of performance and lightweight materials at an economical price point. Innovative 'No Thru-Hole' technology for mounting accessories increases the shell's effective protection area.

EXFIL BALLISTIC SL

The EXFIL Ballistic is the general issue ballistic helmet for the Australian Defence Force, whilst the EXFIL Ballistic SL is used by elite teams and agencies around the world including LAPD and Brazilian DPF.

EXFIL LTP

The EXFIL LTP (Lightweight, Tactical, Polymer) bump helmet provides impact protection and a stable, comfortable platform for mounting night vision and other accessories.

SAR BACKCOUNTRY

The Team Wendy SAR is the first purpose-built search and rescue helmet to provide accessory mounting capabilities while meeting key industrial and mountaineering performance standards.

LINER AND RETENTION SYSTEMS

CAM FIT RETENTION SYSTEM

The CAM FIT Retention System uses a micro-adjustable BOA Fit System that stabilises the weight of the helmet by distributing light, even pressure around the head.

ZORBIUM ACTION PAD (ZAP) 7-PAD NSN LINER SYSTEM

Since 2005, the ZAP 7-Pad NSN Liner System is the standard issue system authorised for use in all U.S. Army, U.S. Marine Corps and U.S. Navy ground combat helmets. More than seven million pad sets have been supplied since the programme's inception.

EPIC AIR LINER SYSTEM

The EPIC Air design utilises proven Zorbium foam technology, offering leading-edge impact protection without adversely affecting weight or heat dissipation.

EXFIL MARITIME LINER SYSTEM

The EXFIL Maritime Liner System features sealed pads optimised to withstand routine exposure to water. The liner's quick-drying capability helps reduce the added helmet system weight and discomfort that results from waterlogged helmet pads.

OUR ROBUST MODEL

Our products and services maximise the capabilities of our customers and create value for all our key stakeholder groups.

HOW WE CREATE VALUE

OUR COMPETITIVE ADVANTAGES

Intellectual Property
We protect our global market-leading position by registering trade marks and filing patents that protect our innovative solutions.

Efficient manufacturing
We aim to optimise and refine our product design for manufacture and strive for high asset utilisation and productivity.

In-house capabilities
Our people provide extensive skills and experience to strengthen our in-house capabilities and manufacturing excellence.

SUPPORTED BY OUR VALUES AND CULTURE

Pre-emptive

Fearless

Targeted

RESOURCES AND RELATIONSHIPS

SKILLED PEOPLE

We have highly skilled teams across our business with 1,000+ employees across six sites.

UNIQUE TECHNOLOGY

We have a reputation for technological excellence and innovation, with a strong tradition of new product development.

ROBUST PARTNERSHIPS

We partner closely with our customers to design products to enhance their capability as well as provide increasing levels of protection.

ESTABLISHED DISTRIBUTION

We have a mature agent and distributor network to provide a range of commercial products in over 60 countries.

THE VALUE WE CREATE

OUR PEOPLE

1,300+
hours of e-learning content viewed

55%
employee engagement

CUSTOMERS

200K+
respirators delivered to NATO countries

90K+
helmets delivered around the world

COMMUNITIES & ENVIRONMENT

$108K+
in charitable donations

97%
waste recovered or recycled at our U.K. facility

SHAREHOLDERS

44.9c
dividend per share

60%+
active shareholder engagement

SIGNIFICANT LONG-TERM GROWTH OPPORTUNITY

Our leading technology and product offering, together with our long-term contracts and a strong pipeline of opportunities, underpin our confidence in our future growth prospects.

We have made significant progress during the year towards delivering our strategy to strengthen and grow our respiratory and head protection offerings. Our key strategic achievements throughout the year include:

- Organic growth in our respiratory portfolio
  - NSPA continues to be a strong vehicle for providing our mission-critical personal protection to NATO countries
- Good progress in developing our head protection portfolio
  - First delivery order received for NG IHPS
  - Award of U.S. DOD ACH GEN II contract in February
  - In-sourcing of helmet shells for legacy Team Wendy products
  - Integration of our helmet design and manufacturing capability
- Continued new product development
  - Launch of the EXOSKIN boots and gloves range to address growing threats and broaden our CBRN product portfolio
- Strong demand environment
  - Current threat environment driving greater focus on protective technologies and capabilities throughout Europe and beyond

A robust core business

Our 20-year relationship with the U.S DOD as a sole-source provider of general-purpose respirators, tactical forces respirators, powered air purifying respirators and tactical self-contained breathing apparatus solutions has seen us design, develop and maintain a portfolio of innovative and world-leading respiratory protection systems. We also have a long-standing relationship with the U.K. MOD, and, in October 2020, were awarded the NATO Support and Procurement Agency contract in relation to our full respiratory range. The importance of these long-term partnerships has come to the fore as the risk environment has increased and we are actively engaged with our customers as they decide how to co-ordinate their response to world events.

The acquisitions of 3M's ballistic protection business and Team Wendy have added head protection to our portfolio, combining world-leading technology in helmet shells and protective inserts. The combination of the two will position Avon Protection as the leading helmet provider to the U.S. DOD as we commence deliveries on programmes we have already won.

Our longer-term strategic aspirations include selling a wider range of both respirators and helmets to our global customer base. During the year, we have taken further steps to integrate the two acquired businesses, resulting in a more streamlined organisation with significant opportunities for realising manufacturing and technological synergies that will drive longer-term value creation for the Group.

We have continued to invest during the year to maintain our market-leading positions through continued development of our existing portfolio of innovative products, and development of the next generation of products that will deliver future growth for the business. We continue to develop our product portfolio in partnership with our customers to meet exacting performance requirements whilst providing a commercially robust route to market to maximise our return on investment.

Our people are at the heart of everything we do, and at the core of our DNA is pride for our product and how it protects the user. The reorganisation to integrate the two head protection businesses and streamline the Group, as well as our financial performance, has been a challenge for our people this year. However, we are making progress and continuing our journey to shape our culture for the future. We are grateful to our colleagues for their ongoing commitment as we continue to align the business for future growth.

Additional programme wins

Following the contract award from the U.S. Army for the NG IHPS in 2021, we received the first delivery order worth $42.1 million in September 2022. Manufacturing ramp-up is progressing to plan after completing rigorous testing, with initial deliveries expected in the first half of FY23.

The award of the ACH GEN II contract in February 2022 is a further demonstration of the strength of our head protection portfolio. Our ACH GEN II helmet will be submitted for first article testing (FAT) in early FY23 with initial revenue expected in FY24.

When NG IHPS and ACH GEN II enter service life with the U.S. DOD, this will position Avon Protection as the leading helmet supplier to the U.S. DOD, validating the strategic rationale for bringing the two helmet brands together by combining Ceradyne's helmet shell moulding capabilities and Team Wendy's helmet liner and retention system technologies.

We continue to make progress with our MCM100 underwater rebreather, with several countries having taken delivery, and others conducting full dive test programmes.

STRATEGY IN ACTION
GROWING THE CORE

FM50 MASKS PROTECTING UKRAINE PERSONNEL

On behalf of various NATO governments, we have delivered over 65,000 50 series respirators to protect military, government and humanitarian personnel in Ukraine.

The 50 series family of respirators is built on the FM50, a CBRN full face mask, specifically designed to meet the latest NATO forces military mask requirements. The twin filter conformal system sits close against the face, providing the wearer with high protection and very low breathing resistance. Wearer comfort is enhanced by the system's twin filters, and vision is enhanced by our wide panoramic flexible visor that incorporates both visual clarity and integral durability.

Our masks are manufactured to the highest standards with the aim of protecting the wearer from harmful CBRN agents they may encounter. Thanks to our ability to ramp-up production across our facilities we have been able to deliver these orders quickly, and everyone at Avon Protection is extremely proud to know our equipment is supporting personnel in Ukraine.

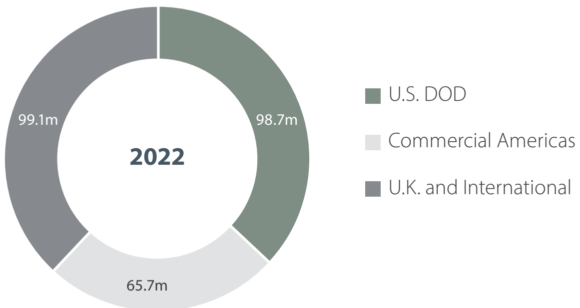
The FM50 is widely deployed by NATO military and peacekeeping forces including Belgium, Denmark, Finland, The Netherlands, Norway, Latvia, and Lithuania. More than 3.5 million systems have been delivered worldwide, making the FM50 the most operationally proven deployed respirator in the world.

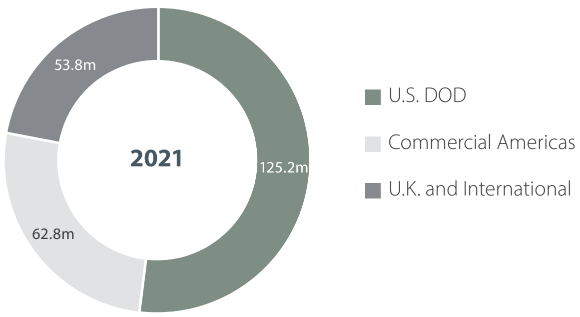
65,000

FM50 masks delivered to Ukraine personnel

"WE HAVE MADE FURTHER SIGNIFICANT PROGRESS AGAINST OUR STRATEGIC OBJECTIVES TO DELIVER MEDIUM-TERM, SUSTAINABLE GROWTH, DESPITE THE CHALLENGING OPERATING ENVIRONMENT.

Revenue split by market ($)





A heightened threat environment

The current threat environment is driving a greater focus on protective technologies and capabilities throughout Europe and beyond, giving rise to a dynamic-demand environment.

NATO nations continue to safeguard against the possibility of adversarial use of CBRN capabilities, and our core competence in these areas leaves us well-placed to protect against the increased threat level.

The sole-source framework respirator contract with the NATO Support and Procurement Agency, which allows NATO and associate members to order from our portfolio of respiratory products under standard pre-negotiated terms, is an important route to market for us. The benefits of this contract are evident in the current environment where ease of ordering is paramount in a fast-moving situation. On behalf of various NATO governments, we have delivered over 65,000 50 series respirators to protect military, government and humanitarian personnel in Ukraine throughout the year.

We are anticipating higher public defence spending to address the increased need for personal protective equipment in the medium and long-term. This will likely result in upgrade programmes across NATO and militaries globally over the coming years, for which we are well positioned.

Our leading position in the CBRN market means we are well positioned to continue our growth in supporting our customers around the world to improve and enhance their protective measures. To further expand our capabilities in the important CBRN market, we developed the EXOSKIN range of boots and gloves to protect personnel without compromising the wearer's tactical agility in the field. In expanding our offerings into protective garments, we aim to provide the full scope of integrated protective wear that can be scaled to address changing threat environments and readiness levels.

Successfully addressing challenges

As a result of global supply chain issues, which in some cases pushed lead times of components that were once 6 weeks closer to 40 weeks, we took the initiative to buy-forward inventory where we had identified the most risk, particularly electronics and textiles. Whilst this increased our working capital, it greatly improved our ability to react to the higher demand environment which we now find ourselves in. This has also enabled us to run our facilities at improved levels of productivity and efficiency.

We have made significant progress against the previously announced cost savings programmes. Half of the $15 million announced in December 2021 has been executed, with the remainder linked to the closure of the armor business. We have also delivered the incremental $6 million reduction announced in May 2022, although as stated at the time of announcement this cost reduction was more variable in nature and costs will be added back into the business as revenue continues to grow.

Following FAT approval for the Defense Logistics Agency Enhanced Small Arms Protective Insert (DLA ESAPI) body armor, we started to deliver product to the U.S. DOD in H2 2022. This leaves us on track to fulfil our final contractual obligations and allow the orderly wind-down of the armor business to conclude by the end of FY23.

The appointments of Rich Cashin as Chief Financial Officer in March 2022, and of Jos Sclater as Chief Executive Officer with effect from 16 January 2023 brings a wealth of experience and impressive track records within the aerospace and defence sector to Avon Protection and positions us well for future growth.

Sustainability

We protect; it's ingrained within our culture and is at the heart of everything we do, and is why sustainability is so important to us. We recognise we are at the start of our sustainability journey to achieving net zero by 2045 at the latest. This year, we commenced work on a high-level sustainability vision linked to our purpose and strategy.

We have concentrated our efforts on the following:

1) Identifying key sustainability areas

To ensure we focus our efforts on the sustainability issues that are most material, we engaged our stakeholders through a materiality review process. Targeting the most material sustainability areas, we have developed an impact plan consisting of four distinct pillars: an employee-centric approach, environmental impact, sustainable supply chains and cybersecurity and data protection.

2) Assessing our existing greenhouse gas (GHG) data and building an action plan for delivering net zero

We have committed to achieving net zero by 2045 at the latest by reducing our absolute scope 1 and 2 GHG emissions (compared to 2021). During the year, we have been focused on ensuring data accuracy and understanding the process by which scope 1 and 2 emissions are generated to provide an appropriate base year for reporting targets against. Following this work, we have now improved our data collection and will use 2021 as a base year. We will be carrying out a further scope of work based on recommendations to add detail to the Net Zero Plan.

3) Governance of our sustainability agenda and TCFD reporting

To ensure focus and greater transparency of our sustainability agenda, a new governance framework has been put in place. The Board takes overall responsibility for our sustainability agenda, disclosure and reporting. During the year a Sustainability Committee, chaired by Rich Cashin, was established with responsibility for the design, implementation and delivery of our sustainability agenda on behalf of the Board. This approach will ensure that delivery has top-level support and is underpinned by strong governance.

We have made substantial progress over the past 12 months in setting the foundations for our sustainability agenda which will continue to evolve over the coming months and years.

STRATEGY IN ACTION
ADVANCING PRODUCT
DEVELOPMENT

LAUNCH OF EXOSKIN CBRN PROTECTIVE WEAR

The CBRN threat is a growing concern for military forces, with the use of chemical weapons rising among both state actors and terrorist groups. In response, we have developed the EXOSKIN range of boots and gloves to supplement its CBRN respiratory protection products to protect personnel without compromising the wearer's tactical agility in the field.

Designed to allow for the handling and operation of electronic touch screen devices, the EXOSKIN-G1 glove offers a critical operational advantage. The ambidextrous glove features a rubberised outer layer textured to maintain grip in wet conditions, with an intelligent, seamless inner knitted liner that has a conductive tip on both the thumb and forefinger. Together these layers optimise the wearer's dexterity and allow them to complete their mission safely.

The EXOSKIN-B1 boot allows improved durability and agility in the field, with quick-release straps to secure the garment over standard footwear. A highly textured sole improves the wearer's manoeuvrability in all underfoot conditions. In addition, it is 100 percent leak tested.

Manufactured from our proven rubber technology, both the EXOSKIN-G1 glove and EXOSKIN-B1 boot offer Chemical Warfare Agent and Toxic Industrial Chemical protection and are impermeable to biological agents. Designed for quick donning and doffing, they integrate with many protective suit ensembles including the standard issue U.K. and U.S. CBRN protective suits.

With more than 100 years of experience delivering innovatively designed and engineered CBRN solutions, the EXOSKIN range leverages our material science capability and deep knowledge of protective CBRN technology.

WE'RE GROWING THE CORE

The focus of Growing the Core is to maximise our performance and efficiency to improve quality and operational excellence. It relies on selling more of our existing portfolio to a global customer base by investing in our organic sales and support teams, including expanding our reach to new customers and geographies.

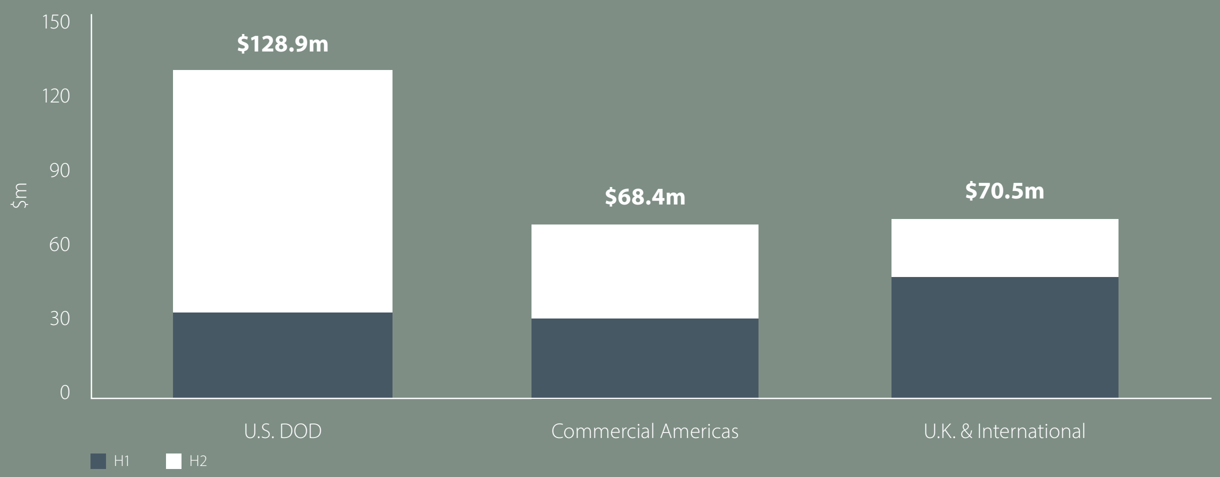
Growing the Core also includes a focus on our internal processes and we are committed to investing in our global facilities and supply chain, to improve the quality, efficiency and performance of our operations. We will continue to work in partnership with our suppliers, ensuring they are a part of our value proposition to supply the best products and solutions at the highest quality and value.

Growing the Core ensures that we continuously improve our existing portfolio, while operating in a sustainable way and as a force for good within our communities.

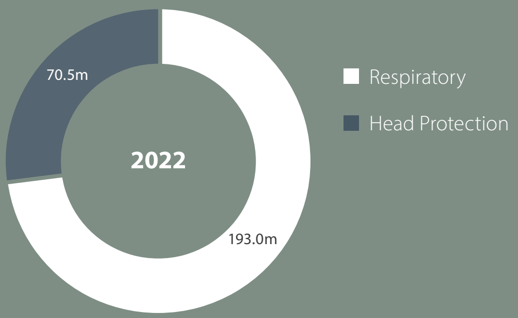
ACHIEVEMENTS OVER THE YEAR

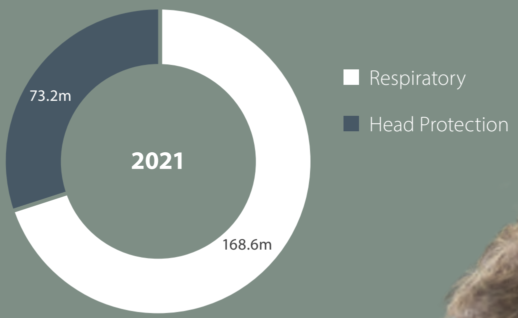
1. Successful delivery of over 200,000 masks by the second year of our NATO contract
2. Upgraded automated inspection as part of our filter production with barcode tracking of each unique filter
3. Record-breaking year for Mi-TIC thermal imaging camera range, with a 30% increase in revenue
4. Record e-commerce sales of Team Wendy helmets in Fourth of July and Amazon Prime Day sales
5. Continued progress with our underwater portfolio bringing the total number of countries using the MCM100 underwater rebreather to seven

Composition of order intake for FY22



Revenue split by product ($)





DELIVERING GROWING THE CORE

KENT'S STORY

The U.S. DOD is always looking for a means to both improve performance and reduce weight. There's a saying that 'ounces equal pounds, pounds equal pain', so anything that we can do to reduce the warfighter burden from a weight perspective is a good thing. Over the last 20 years, helmets worn by most soldiers have not changed in weight. Given the availability of new materials and technology, the U.S. Army has now turned its concentration towards weight reduction, comfort and increased protection in its requirements, hence the introduction of IHPS and now the ACH GEN II.

Being the primary helmet producer to the U.S. Army is an incredible privilege, one we can all be proud of and one that carries immense responsibility. I have mentioned reduced weight and increased performance in the ACH GEN II as well as the enhanced features of the NG IHPS, but what we can't lose sight of is the key protective capabilities these systems provide. I think what matters most is that our soldiers will have confidence they have the best head protection available, manufactured for them by a committed and passionate partner in Avon Protection.

Kent Moeller
President, Avon Protection Ceradyne

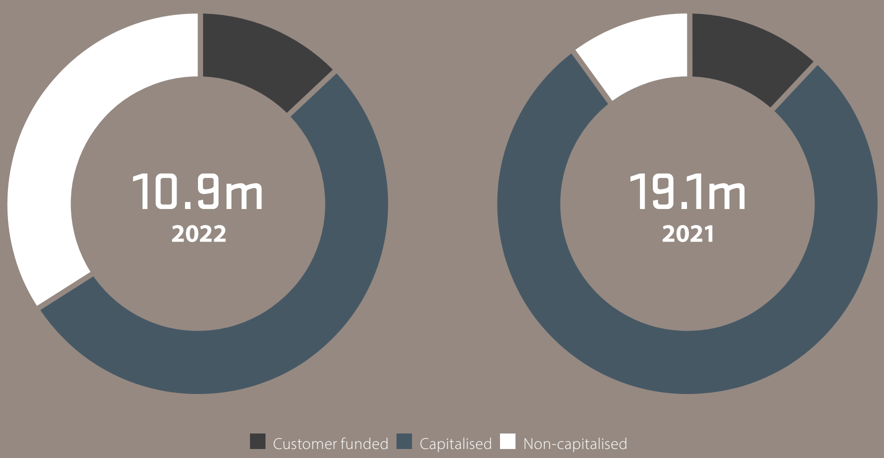
WE'RE ADVANCING PRODUCT DEVELOPMENT

Our customers continually evolve, as do the threats they face. We will continue to invest in product development each year, working in partnership with our customers to develop new technologies and expand our portfolio into a wider range of products and solutions to enhance the capabilities of our customers. We undertake projects to develop equipment to specifications that no other product has ever met.

ACHIEVEMENTS OVER THE YEAR

1. First order for the NG IHPS received from the U.S. Army
2. Multi-year contract to supply the U.S. Defense Logistics Agency with the ACH GEN II
3. Launch of the EXOSKIN boots and gloves range
4. CH15 Escape Hood won the Best International Product Design award following a reduction in mass by 22% over the previous generation NH15
5. Launch of innovative headset adaptor for the U.S. DOD's IHPS to seamlessly integrate with the 3M™ PELTOR™ ComTac™ system

R&D expenditure composition ($)



R&D SPEND BY LINE OF BUSINESS

Respiratory

2021	2022
$7.8m	$6.0m

Head Protection

2021	2022
$5.4m	$4.9m

ADVANCING PRODUCT DEVELOPMENT

JUSTIN'S STORY

Development contracts are a great prospect for us; they provide us with the opportunity to research new and future technology, sometimes moving a concept to a prototype, while covering the costs associated with the research and development required.

Throughout such programmes, our teams work closely with the customer, government scientists, end users and stakeholder communities, building close relationships and taking part in user feedback workshop sessions. We get to hear first hand from the stakeholder communities on any issues with their existing product or technology, whether that is related to use, maintenance, integration with other equipment or training, and then present solutions back to them. It's also beneficial in that we learn about our customer's future requirements and can actively be a part of the solution, aligning our upcoming product offerings and technology with their needs.

Justin Hine
Category Director – CBRN

WE'RE INTEGRATING ACQUISITIONS FOR A STRONGER BUSINESS

Our priority over the past year has been the integration of 3M's ballistic protection business and Team Wendy, which were acquired in 2020. These steps have resulted in a more streamlined organisation with significant opportunities for realising commercial synergies that will drive longer-term value creation for the Group.

We are also committed to further developing our integration model so we are able to onboard these acquisitions into the Avon Protection family with a consistent process and in an efficient manner as we allow these businesses to invest and grow.

Longer term, we will continue to invest in M&A to further accelerate the Group's development and continue to deliver an industry-leading performance level. As we continue to build a growing, more efficient business, we will look to invest in the acquisition of carefully selected, value enhancing businesses to further accelerate our growth. These acquisitions will not only add scale, but will extend our business into adjacent markets and new geographies, adding new technologies to enhance performance, efficiency and protection levels for our customers.

ACHIEVEMENTS OVER THE YEAR

1. Undertaking a portfolio review to align offerings and determine future investment and development
2. Integration of our helmet design and manufacturing capability, with synergies to follow
3. In-sourcing of helmet shells for legacy Team Wendy products
4. Work being undertaken to integrate HR and IT systems across the business
5. Continuous engagement and inclusion in core employee engagement programmes to help them feel part of the business

EXPANDING OUR CAPABILITIES

Talented people joining our team

400+

New helmet product lines added to our portfolio

8

Invested facilities expanding our in-house capabilities

4

INTEGRATING ACQUISITIONS

LAUREN'S STORY

Joining the Avon Protection family following the acquisition of 3M's ballistic protection business, along with the addition of Team Wendy, has positioned us as part of a global team at the forefront of innovative protective technologies.

The timing of the integration during the COVID-19 pandemic presented challenges not only for IT integration, but also getting to meet new colleagues and truly feeling like part of the business. However, we have been welcomed into the global team and we are able to effectively share ideas between the different sites.

The team really comes together under pressure, and everyone does what it takes to get the job done. It is highly motivating to work for a company that makes life-critical products!

Lauren Zinger
Quality Assurance Supervisor

PROGRESS ON OUR STRATEGY

Our ambition is to create substantial value for all of our stakeholders.

To achieve this, our strategy is based upon three key elements:

- Growing the core by maximising organic revenue growth from within the current product portfolio and improving our operational efficiency;
- Advancing our product development to protect people and maintain our innovative leadership position; and
- Integrating our recent acquisitions to build a stronger business and accelerate growth.

Our intention as a protection-focused organisation does not stop at developing lifesaving systems; we care and are committed to ensuring we execute our strategy while contributing positively to the communities and environment in which we operate.

Strategy focus area	Metrics
GROWING OUR CORE TO MAXIMISE OPPORTUNITIES Read more on page 26	**>200,000** FM50 masks delivered to NATO forces **>150** product and process attributes streamlined
ADVANCING OUR PRODUCT DEVELOPMENT TO PROTECT PEOPLE Read more on page 28	**>100 years** of material science capability **$204m** contract won for ACH GEN II Innovative range of protective boots and gloves launched
INTEGRATING RECENT ACQUISITIONS TO BUILD A STRONGER BUSINESS Read more on page 30	Bringing together **2** world-leading portfolios

Our aim	How we achieve this	Progress during the year
We are recognised as the leader within respiratory, underwater and head protection markets. This year, we have continued to invest in our core products, maintaining our position at the forefront of the market.	• Leveraging the product and customer base • Responding to customers' growing needs • Offering new models and solutions • Expanding our reach through distribution • Enhancing our commercial effectiveness • Continuing focus on operational excellence	We have completed our first year of delivering against a ten-year framework contract to supply a complete CBRN personal respirator system to NATO and affiliated countries. We have continued to serve a major customer in the U.S. DOD having received a large order for our M61 filters, compatible with M50 masks, worth $15.1m. We have also introduced a state-of-the-art automated inspection process as part of our filter manufacturing operations, removing the possibility for human error in the life-saving products that we produce. With over 150 product and process attributes captured for each product, the data ensures highest quality product while facilitating data-driven continuous improvement.
We have a reputation for technological excellence and innovation, with a strong legacy of new product development.	• Moving up the value chain in respiratory and head protection • Enabling technologies and integrated systems	We have continued to invest to maintain our innovative technology leadership position across our existing portfolio as well as focusing on developing the next generation of new products that will deliver future growth for the business. Our main focus has been the first article testing programmes for both NG IHPS and ACH GEN II. We continue to design our development pipeline in partnership with our customers so their exacting performance requirements are met whilst ensuring we have a committed and commercial route to market to maximise our return on investment. We have continued to meet the demands of ever-increasing CBRN threats through the launch of two products under our new 'EXOSKIN' range. The EXOSKIN-B1 CBRN Boot provides improved durability and agility in the field, with quick release straps to secure the overboot over standard footwear. Our EXOSKIN-G1 CBRN Gloves are designed to allow handling and ease of operation of electronic touch screen devices, offering users a critical operational advantage.
Acquisitions have been a part of our growth strategy for a number of years.	• In the short-term, we are focused on the integration of our current operations and building our respiratory and head protection business organically • In the medium to long-term, we will return to acquisitions as a driver for growth	Following the acquisitions of both 3M's ballistic protection business and Team Wendy, we have worked to bring together the people and product offerings, allowing us to offer the best helmet moulding, shell and liner and retention capabilities in a single platform to benefit our customers. Once in service, the awards of the ACH GEN II and NG IHPS contracts will confirm our position as the leading helmet supplier to the U.S. DOD, reinforcing the synergies of bringing the knowledge and expertise of two world-leading organisations together.

STRATEGIC REPORT

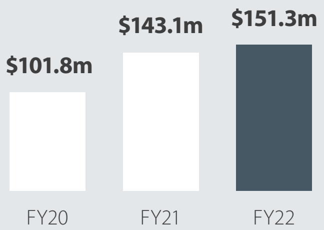
HOW WE MEASURE FINANCIAL KPIS

The adjusted performance section contains further explanation for adjusting items which are summarised below. The Group uses a variety of key performance indicators which are in line with our strategy and investor proposition.

CLOSING ORDER BOOK

$151.3m

+5.7%



Reason for choice
Provides an indication of revenue to be recognised in the next financial period.

How we calculate
Orders received by the Group and not yet fulfilled. This is measured by the value of future revenue attached to orders not yet fulfilled.

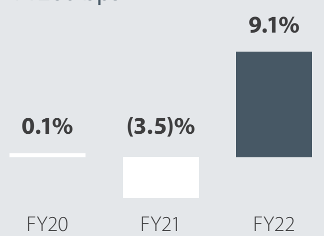
Comments on results
Our closing order book of $151.3 million ($120.9 million excluding armor) provides strong visibility going into FY23, including $42 million for our NG IHPS ballistic helmet.

Link to strategy

ORGANIC CONSTANT CURRENCY REVENUE GROWTH

9.1%

+1260 bps



Reason for choice
Indicates the rate at which the Group's business activity is changing over time.

How we calculate
Growth in revenue excluding acquisitions, comparing current period revenue with prior period revenue translated at 2022 exchange rates.

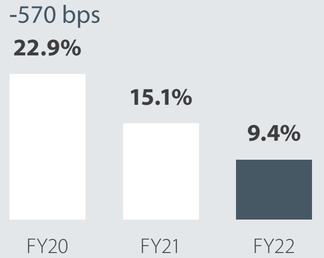
Comments on results
Revenue was up 9.1% on an organic constant currency basis, reflecting strong growth in respiratory notably driven by the NSPA contract, offsetting a small decline in head protection.

Link to strategy

ADJUSTED EBITDA MARGIN

9.4%

-570 bps



Reason for choice
Provides a measure of the underlying profitability of the ordinary activities of the business and their potential to generate cash.

How we calculate
The ratio of adjusted EBITDA to revenue. Adjusted EBITDA is defined as operating profit before depreciation, amortisation and exceptional items. It excludes any effect of discontinued operations.

Comments on results
Our adjusted EBITDA margin has seen a decline as a result of the continued losses in the winding-down armor business, as well as operational challenges affecting the core business.

Link to strategy

The Directors believe that adjusted measures provide a useful comparison of business trends and performance. The metrics are also used internally to measure and manage the business. A reconciliation of adjusted performance measures is available on page 112. A full glossary of terms is available on page 177.

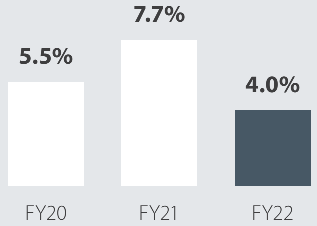
Key

Growing the core · Selective product development · Value enhancing acquisitions

PRODUCT DEVELOPMENT % OF REVENUE

4.0%

-370 bps



Reason for choice

Provides a measure of the Group's investment in new products and processes. Investment provides a foundation for the Group's future growth.

How we calculate

Total expenditure on R&D including amounts funded by customers, development expenditure capitalised and amounts expensed directly to the income statement expressed as a percentage of revenue.

Comments on results

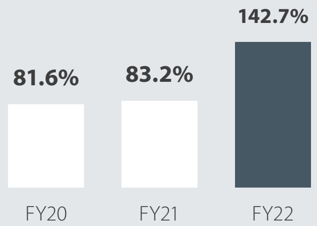
Whilst we continue to invest in selective product development, levels have dropped from the record high seen in FY21 as a number of large projects have come to fruition.

Link to strategy

CASH CONVERSION

142.7%

+5,950 bps



Reason for choice

Provides a measure of the management of working capital and the ability of the Group to convert profits to cash.

How we calculate

The ratio of cash generated from operations before the effect of exceptional items to adjusted EBITDA.

Comments on results

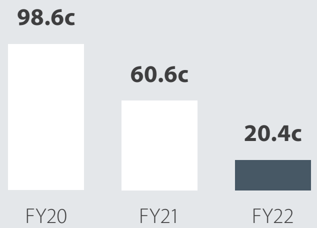
Cash conversion has improved due to more favourable timing of FY22 revenues, as well as tight control of receivables in the last quarter of the period.

Link to strategy

ADJUSTED EARNINGS PER SHARE

20.4c

-40.2c



Reason for choice

Measures the ability to generate a return to shareholders. It takes into account our success in growing our business organically and by acquisition, coupled with management of the Group's financing and tax.

How we calculate

Adjusted profit for the year divided by the weighted average number of shares in issue. Adjusted profit excludes exceptional items and discontinued operations.

Comments on results

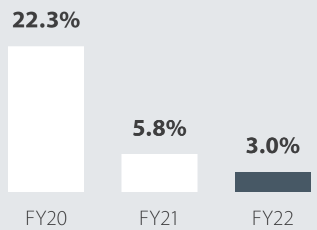
Adjusted earnings per share declined due to the impact on profit from the armor business and operational challenges for the Group.

Link to strategy

RETURN ON CAPITAL EMPLOYED

3.0%

-280bps



Reason for choice

Measures profitability and the efficiency with which capital is employed.

How we calculate

Adjusted operating profit as a percentage of average capital employed. Capital employed is the sum of shareholders' funds, non-current liabilities and current borrowings.

Comments on results

With a stable capital base, the decrease in operating profit results in lower return on capital employed.

Link to strategy

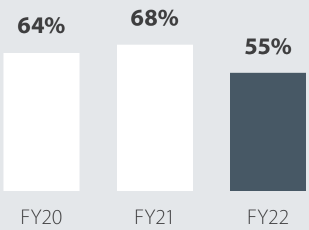
HOW WE MEASURE OPERATIONAL KPIS

The Group uses a variety of key performance indicators which are in line with our strategy and investor proposition.

EMPLOYEE ENGAGEMENT

55%

-1,300 bps



Reason for choice
Our people are crucial to delivering future business success. This is an objective way to assess how engaged our employees are with the business.

How we calculate
Employee engagement is measured through regular surveys which ask employees to respond to five statements with how much they agree or disagree.

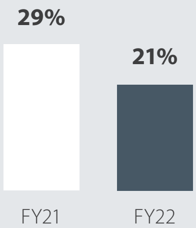
Comments on results
The reorganisation to integrate the two helmet businesses and streamline the Group, as well as our financial performance, has been a challenge for our people this year. However, we are making progress and continuing our journey to shape our culture for the future.

Link to strategy

GENDER DIVERSITY

21%

-700 bps



Reason for choice
A diverse and inclusive workforce is critical to ensuring innovative thinking and business growth. Gender diversity at senior levels ensures our people are led by a leadership team that is representative of our gender-diverse workforce and the communities in which we operate.

How we calculate
We calculate this based on the number of females in leadership positions, expressed as a percentage.

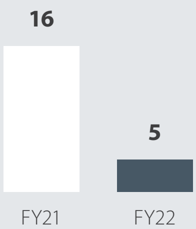
Comments on results
The Board is committed to continuous improvement in this area and acknowledges that there remains some way to go to ensure a diverse workforce. We will continue to drive internal initiatives to champion more women into leadership roles.

Link to strategy

HEALTH AND SAFETY

5

-69%



Reason for choice
We want to keep everyone safe and well with the support of a strong health and safety culture.

How we calculate
We track this using a Lost Time Incident Rate which measures the number of LTIs per 1,000 employees.

Comments on results
We are pleased with the progress we have made to reduce the number of Lost time Incidents across all of our sites globally. In line with our goal of zero harm, we continue to actively promote a strong safety culture.

Link to strategy

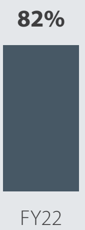
Key

Growing the core | Selective product development | Value enhancing acquisitions

ON TIME DELIVERY

82%

N/A



Reason for choice
Ensuring that we are meeting our customers delivery expectations is a core component of maintaining high levels of satisfaction.

How we calculate
We calculate this based on the percentage of orders received, which are delivered on time to our customers expectations.

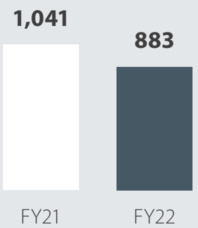
Comments on results
FY22 was the first full year of tracking on time delivery and as such we do not have any comparative data. Moving forward we are committed to improving this result, providing superior levels of satisfaction for our customers.

Link to strategy

SUPPLIER QUALITY

883

-15.2%



Reason for choice
Partnering with our suppliers to ensure the best quality materials are used in our products underpins value for our customers.

How we calculate
We measure the success of our supplier quality in 'Defective Parts per Million' which is calculated by taking the number of defective units in a same size, dividing that number by the total sample size, and multiplying by 1 million.

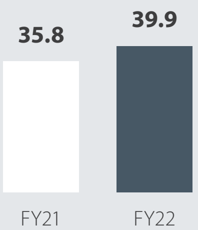
Comments on results
We are making good progress with decreasing our Defective Parts per Million and we have seen a 15% reduction. There is more work to do in this area to meet our goal.

Link to strategy

ENVIRONMENT

39.9

+11.5%



Reason for choice
Our mission is to be a growing business with a shrinking environmental impact, targeting net zero by 2045 by reducing our absolute scope 1 and 2 GHG emissions (compared to 2021).

How we calculate
We measure the success of this with an intensity ratio calculated using the amount of scope 1 and 2 GHG emitted per $m of revenue.

Comments on results
We have made progress over the past 12 months in setting the foundations for our sustainability agenda and developing our transition to net zero by improving data collection processes. We hope to see more progress on this result in the future.

Link to strategy

ENGAGING WITH OUR STAKEHOLDERS

The Board acknowledges that positive interaction with all stakeholders is key to underpinning positive engagement and fully informed decision making on material issues. As part of ensuring the requirements of section 172 are met and the interests of all stakeholders have been regarded, stakeholder engagement by the Board and the wider business takes place across the Group at all levels. This includes engagement with the Group's employees, shareholders, customers and suppliers and the communities within which we operate.

Further information on how the Board has discharged its duties and considered the factors relating to section 172 are found throughout our Annual Report, with specific details included in the Governance section of this report.

Key

Growing the core | Selective product development | Value enhancing acquisitions

OUR PEOPLE

Our people drive our culture. Continuous engagement with our people is fundamental to ensure an engaged employee base that supports how we do business and which is at the heart of our ability to drive value creation.

How we engage

- Throughout the year the Executive Board and the Board of Directors have hosted townhalls at the sites, presenting Company updates to employees and holding Q&A sessions.
- Each year engagement surveys are undertaken with all employees, seeking their feedback on a wide range of topics, and the output creates our focus areas of improvement for the year ahead.
- Executive Board members and senior leaders host monthly Q&A live events for employees to hear from leadership on a specific topic and submit questions.

Key topics of engagement in 2022

- As a focus area highlighted in the engagement survey, we have looked for feedback on how our employees would like to see their work recognised and what makes them feel valued.
- We have also discussed our employees' views on sustainability and how we should approach it in the future.
- Regular communications including roadshows, townhalls and live events have been used to provide an update on business progress and focus for the future.

How we responded

- Following feedback gathered on recognition, a remuneration review was launched during the summer to explore our pay philosophy and grade structures.
- With input from our employees, we have developed our sustainability agenda. Read more on page 42.

Link to strategy

CUSTOMERS

Our customers are at the forefront of our employees' mind, and we are proud of the products we create for the end users. We partner closely with our customers and gain feedback from multiple levels within the user base to design products which enhance their performance, efficiency and capability.

How we engage

- Throughout the product development process we engage with our customers to ensure we are responding to their developing needs and to identify future opportunities.
- We have dedicated leadership channels to manage and prioritise our customer relationships and hold User Advisory Councils to explore feedback from specific and key users.
- We work closely with country specific scientific communities, such as the Defence Science and Technology Laboratory in the U.K., which provide insight on the future capability requirements within their military user base.

Key topics of engagement in 2022

- The majority of our product development pipeline is designed in partnership with our customers to ensure we are in active dialogue and that their performance requirements are met.
- This year we have also engaged with our customers on our sustainability approach to determine their priorities around our future direction.

How we responded

- We have developed long-standing relationships with our customers which provide opportunities to work with user groups to ensure their evolving operational needs are anticipated in future product developments.
- We maintain an assessment of broader technology trends we could adopt quickly to deliver disruptive technology solutions to our customers, providing them with capability advantages.

Link to strategy

EMPLOYEE RELATIONS

Engagement with employees has been a focus for the Board of Directors and Executive Board during 2022 with travel restrictions now eased. Roadshows have taken place across the sites and townhall meetings have provided our employees an opportunity to hear from both Boards, provide their feedback and discuss priorities and focuses. Teams across the business have also been invited to take part in discussion lunches to have one-to-one time with Board members.

REACHING KEY DECISIONS

Q&A

Bruce Thompson
Executive Chair

Q What are your priorities as Directors for our stakeholders and the engagement we have with them?

A For the continued success of the Group and for the benefit of the Company's members as a whole, we as a Board recognise all decisions must be taken with regard to long-term outcomes and any impact these have on all our stakeholders. Throughout the year, we have interactions with our stakeholders regarding any long-term decisions that could have an impact on them. For our people, we always want to account for their interests and align our decisions to ensure they have the best experience with Avon Protection. It's a priority to foster strong relationships with our customers, suppliers and other key stakeholders, maintaining our reputation for high standards of business conduct and the need to act fairly.

It is also a priority for the Directors to identify any impact the Company's operations have on the community and environment. This year we have outlined our approach to sustainability and becoming net zero by 2045 at the latest.

> **WE AS A BOARD RECOGNISE ALL DECISIONS MUST BE TAKEN WITH REGARD TO LONG-TERM OUTCOMES AND ANY IMPACT THESE HAVE ON ALL OUR STAKEHOLDERS.**

Key

Growing the core · Selective product development · Value enhancing acquisitions

COMMUNITIES

We have an established community initiative focused on economic, social and environmental sustainability in our local communities. We continually work with and for the communities in which we operate, recognising our role as a major local employer and our responsibilities with regard to any impact we have on them.

How we engage

- Within our community initiative is our Charitable Giving Programme, providing match funding and donations to the organisations in our local areas which our employees have close ties with.
- We have continued our sponsorship for Bath Rugby's community programmes, including support for its Primary Education programme centred around developing numeracy skills and promoting health and wellbeing. We also sponsor Bath Rugby's Girls Participation Hubs, an initiative that aims to increase female participation in the sport.
- We offer work experience and internship opportunities to enthusiastic students looking to start developing employability skills and have opportunities across engineering, science and commercial job roles.

Key topics of engagement in 2022

- We engage with local organisations and charities on their funding needs and how our donations can support their causes.
- We have provided a number of internship and work placement opportunities to students in our local areas. In Cadillac, 124 high school students visited our facility to learn more about manufacturing and who we are.

How we responded

- During FY22, we made $108,403 of charitable contributions to local communities and organisations, nominated by our employees and as part of our community programmes.
- We actively encourage employees to use the charitable giving options we provide.

Link to strategy

SUPPLIERS

We strive to build long-term relationships with our suppliers, and ensure they adhere to our supplier code of conduct and quality expectations. We continuously engage with our suppliers to develop our knowledge and product range.

How we engage

- Committed teams aim to build long-term relationships we strive for with all our suppliers.
- Through site visits and a programme of supplier audits, we ensure their standards and expectations of behaviour reflect our own Group-wide standards and we have a Supplier Code of Conduct to support this.

Key topics of engagement in 2022

- Consistent delivery of quality materials and services from our long-term suppliers and a clear understanding of our expectations on ethical and sustainable trading in the supply chain.

How we responded

- Prompt and fair payments help to build the long-term relationships we strive for with all our suppliers.
- Continuous review of our supplier code of conduct and terms and compliance against them.

Link to strategy

SHAREHOLDERS

The Group regards regular communications with shareholders as extremely important to understand their views and concerns and ensure their ongoing investment and support.

How we engage

- We consult with our shareholders through open and frequent communications, predominantly led by the Chief Executive Officer and Chief Financial Officer.
- There are open channels of communications during the Annual General Meeting (AGM) and through the Company Secretary where shareholders can raise questions for the Directors.
- Regular dialogue takes place with institutional shareholders, including following half and full year results and other milestone announcements with a series of direct meetings throughout the year.
- The Chair held over 20 individual meetings with shareholders during the year to discuss key issues of concern.

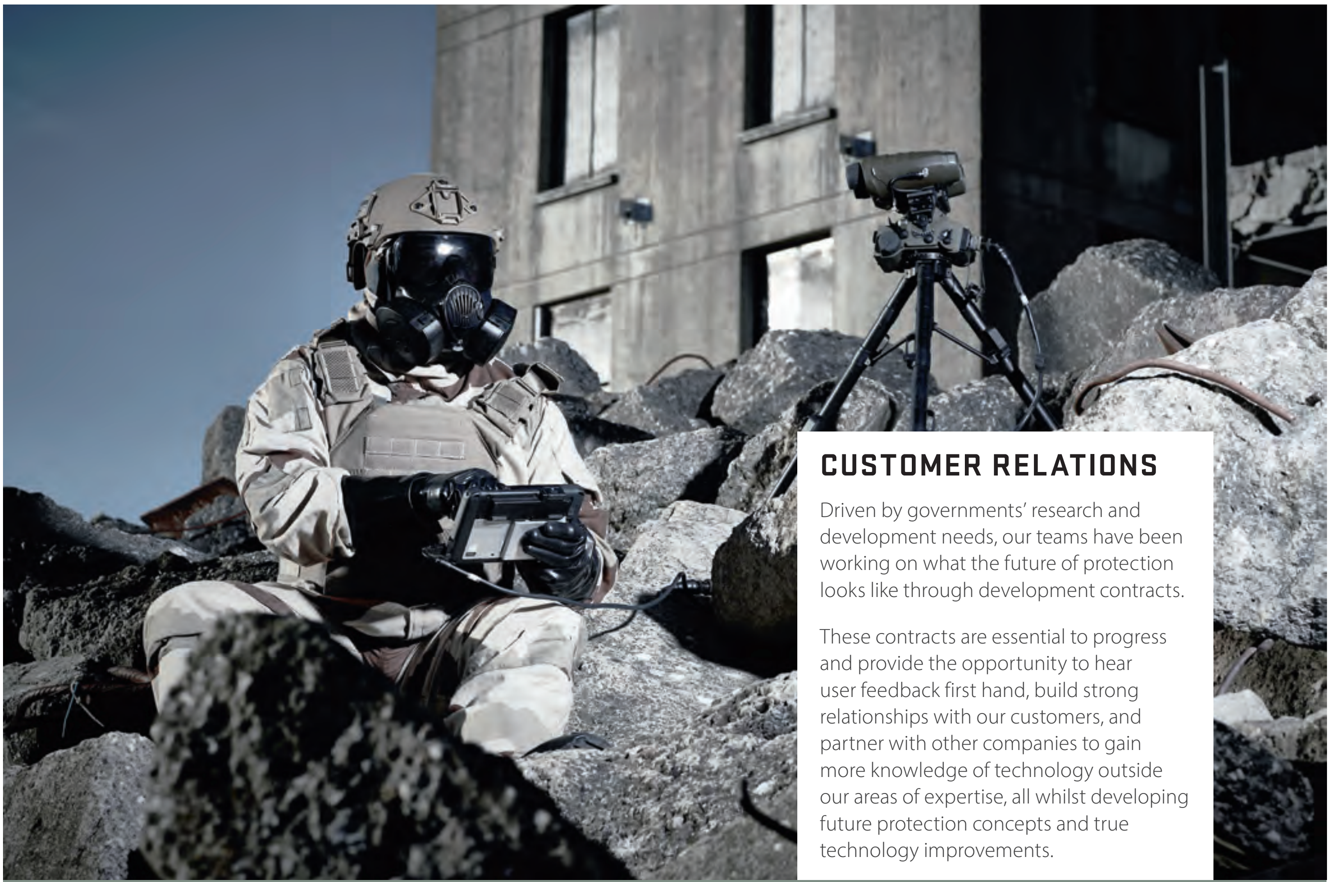
Key topics of engagement in 2022

- How we are addressing challenges has been a key topic of conversation during the year.
- Chief Executive Officer succession plan following Paul McDonald's resignation.
- Consultation with shareholders on our sustainability agenda.
- Throughout the first half of the year we undertook a share buy back scheme, which was discussed with shareholders.

How we responded

- Continuous open communication with our shareholders remains a priority.
- We have developed our sustainability agenda. Read more on page 42.

Link to strategy



CUSTOMER RELATIONS

Driven by governments' research and development needs, our teams have been working on what the future of protection looks like through development contracts.

These contracts are essential to progress and provide the opportunity to hear user feedback first hand, build strong relationships with our customers, and partner with other companies to gain more knowledge of technology outside our areas of expertise, all whilst developing future protection concepts and true technology improvements.

Q&A

CONTINUED

Q What is in place to identify when decisions should be made by the Board?

A The Group has a robust governance framework in place where day-to-day decision making is delegated to management. There are certain financial and strategic thresholds in place to identify matters requiring Board consideration and approval and any key decisions relating to strategy and its implementation are taken by the Board.

We as a Board have a clear framework for determining the matters within our remit and have approved terms of reference for matters delegated to the Committees. We strive to have interactions with all stakeholders to underpin decision making on material issues.

Q How does the Board gain an oversight of engagement with the wider business?

A In addition to the summary of engagement detailed within this report, Executive management prepares reports which detail engagement activity across our stakeholder group. Board members also attend Executive management meetings when relevant, giving the Board the opportunity to interact and discuss any stakeholder issues which may need to be escalated to the Board by management. In my position as Executive Chair, I have spent a great deal of time working more closely with the teams across the business and have enjoyed getting to know everyone more whilst I have been on site.

> "I HAVE SPENT A GREAT DEAL OF TIME WORKING MORE CLOSELY WITH THE TEAMS ACROSS THE BUSINESS AND HAVE ENJOYED GETTING TO KNOW EVERYONE MORE WHILST I HAVE BEEN ON SITE.

OUR AMBITIOUS APPROACH TO SUSTAINABILITY

We protect; it's ingrained within our culture and is at the heart of everything we do. This includes a commitment to protecting the communities and environment in which we operate to ensure a sustainable future for us all. Last year, we commenced work on a high-level sustainability vision linked to our purpose and strategy.

OUR IMPACT PLAN

ENVIRONMENTAL IMPACT

SUSTAINABLE SUPPLY CHAINS

CYBERSECURITY AND DATA PROTECTION

EMPLOYEE-CENTRIC APPROACH

SUPPORTED BY OUR STRONG GOVERNANCE FRAMEWORK

Read more on page 43

We have made significant progress over the past 12 months to build the foundations of our sustainability agenda. We recognise we are still at the beginning of our sustainability journey and our approach in this area will continue to evolve. We have concentrated our efforts in the following areas:

1) Identifying key sustainability areas

To ensure we focus our efforts on the sustainability issues that are most material, we formally engaged our stakeholders through a materiality review process. This was carried out via industry benchmarking, online surveys and one-to-one interviews with employees, customers, suppliers and investors. The results of this helped inform the development of our sustainability agenda and our impact plan, comprised of the following four pillars:

- Environmental impact
- Sustainable supply chains
- Cybersecurity and data protection
- An employee-centric approach

We have adopted the UN Sustainable Development Goals (SDGs) within our impact plan to further demonstrate our alignment with universal goals and opportunities for collective action.

Further details on our impact plan can be found on page 44.

2) Assessing our existing GHG data and building an action plan for delivering net zero

We have committed to achieving net zero by 2045 at the latest by reducing our absolute scope 1 and 2 GHG emissions (compared to 2021). During the year, we have been focused on ensuring data accuracy and understanding the process by which scope 1 and 2 emissions are generated to provide an appropriate base year for reporting targets against.

We have carried out a review of existing data in addition to undertaking interviews with representatives from each of our sites to further understand our processes that generate GHG emissions. Following this work, we have now improved the accuracy of our data management processes and will use 2021 as a base year.

We will be carrying out a further scope of work based on recommendations to add detail to the Net Zero Plan. Further work is also required to look at scope 3. See page 46 for our Net Zero Plan.

3) Governance of our sustainability agenda and TCFD reporting

We recognise the importance of putting in place a robust governance structure to oversee our sustainability agenda going forward. The Board will continue to oversee and have overall responsibility for setting and ensuring delivery of our sustainability agenda. During the past year, we have established a Sustainability Steering Committee which is chaired by our Chief Financial Officer, Rich Cashin. The Committee will review the Company's progress towards the targets, reporting regularly to both the Executive Board and main Board.

In addition, we have been preparing to report against TCFD for the first time. As part of this process, we have spent time developing our understanding of our exposure to climate change risk. We have also carried out a gap analysis to full TCFD alignment to identify an action plan to work towards meeting the four TCFD thematic areas of governance, strategy, risk management and metrics relating to climate-related risks and opportunities. We identified that the Group already fulfils many of TCFD's recommendations; however, there remains work to do to ensure we are fully aligned. We have also outlined two qualitative scenario narratives to help us explore the potential climate change implications in our business. See page 54 for our TCFD disclosure.

GREATER TRANSPARENCY

To ensure focus and greater transparency of our sustainability agenda, a new governance framework has been put in place.

The Board takes overall responsibility for our sustainability agenda, disclosure and reporting. During the year a Sustainability Committee, chaired by Rich Cashin, was established with responsibility for the implementation and delivery of our sustainability agenda on behalf of the Board. The Sustainability Committee will recommend to the Board for approval sustainability-related targets and review the Company's progress towards those targets, reporting regularly to both the Executive Board and main Board. This approach will ensure that delivery of our sustainability agenda has top level support and is underpinned by strong governance.

We expect that our approach to governance of our sustainability agenda is likely to continue to develop, alongside our evolving approach in this area. Set out below is an overview of how the governance of our sustainability agenda will be integrated into our existing governance structure.

EMBEDDING SUSTAINABILITY

Board of Directors
oversees and has overall responsibility for Avon Protection's sustainability agenda, disclosures and reporting. This includes, but is not limited to, climate risks and opportunities.

See page 74 for details on our Board of Directors and membership of the three Committees of the Board.

Audit Committee
is responsible for risk management including climate-related risks.

See page 82 for the Audit Committee Report.

Nomination Committee
is responsible for ensuring the membership of the Board and the pipeline for succession planning purposes reflects diversity.

See page 80 for the Nomination Committee Report.

Remuneration Committee
is responsible for remuneration policies and packages, including integrating sustainability into the executive remuneration structure.

See page 86 for the Remuneration Committee Report.

Executive Board
is responsible for integrating sustainability into strategic management.

Sustainability Steering Committee
Chaired by Rich Cashin, Chief Financial Officer
acts on behalf of the Board to oversee delivery and implementation of our sustainability agenda. Makes recommendations to the Board including on sustainability-related targets and climate related matters. The Committee is made up of leaders from across the business that have been identified as enablers for the sustainability agenda.

Employee engagement forum
is responsible for promoting the views and interests of the workforce.

Site level working groups
embed the sustainability agenda into the Group's operational processes.

MAPPING WHAT MATTERS MOST

Introducing our new sustainability agenda

One of our objectives during the year has been to put in place a high-level sustainability agenda.

As a business we recognise our operations around the world impact upon a number of sustainability areas. We understand we must make progress in each of them to ensure we protect society, the environment and our customers to secure a sustainable future for the Group and its stakeholders over the long-term. Alongside this, we recognise the importance of having a sustainability agenda that reflects those issues that are most material to our business and our stakeholders and on which we can have the greatest impact.

As we take our first steps in our sustainability journey, it was decided action should be focused on those areas considered material, which means they have the potential to substantively affect our ability to create value in the short, medium or long-term, and are of importance to our stakeholders.

Our methodology: starting with materiality

Throughout 2022 we undertook a full materiality assessment, with the goal of evolving our sustainability agenda. A benchmark of peers, competitors and customers was carried out to create a defined list of sustainability areas relevant to our business. Stakeholder engagement was undertaken to understand the importance of each sustainability area to our employees, customers and shareholders. Consideration was also given to understand the impact of each issue on the Company's ability to generate value versus the likelihood of the impact. This has culminated in our materiality matrix which is shown below.

The themes shown in the top right-hand corner are those identified as most material, although all issues are important. It is important to highlight we do not view these themes in isolation, as in many cases they are interconnected. The results of our materiality matrix have underpinned the evolution of our sustainability agenda, with the creation of the four key pillars that make up our impact plan.

2022 MATERIALITY MATRIX

1. Cybersecurity and data protection
2. Business conduct and ethics
3. Sustainability in supply chain
4. Low carbon transition and climate impacts
5. Energy use and GHG emissions
6. Product design and life cycle
7. Human rights and labour standards
8. Waste management and the circular economy
9. Talent attraction, development and retention
10. Remuneration and payment practices
11. Water management
12. Occupational health, safety and wellbeing
13. Diversity, inclusion and equal opportunities
14. Community wellbeing

ENGAGING WITH STAKEHOLDERS

EMPLOYEES

- All employees were given the opportunity to contribute to the project. A survey was created and employees were asked to say on a scale of one to ten how important each sustainability area was to them.
- One-to-one interviews with representatives from across the business including members of the Executive Board looked at the scorings of this survey and examined how much impact each issue has on our ability to create value against the likelihood of the impact.

CUSTOMERS

- A benchmarking activity was conducted, outlining our key customers' stance on sustainability areas through the review of climate and sustainability policies and legislation.
- We engaged with customers to allow the opportunity to state what matters most to them, and in some cases, one-to-one interviews were held.

SHAREHOLDERS

- We engaged with a number of investors to identify the material sustainability areas that matter most to them, and how they expect us to respond to emerging issues in the coming years.

OUR IMPACT PLAN

Taking the five most material sustainability areas, we have developed an impact plan consisting of four distinct pillars for action over the coming years. This underpins our sustainability agenda and ensures we are progressing in the areas that matter most to our key stakeholders.

ENVIRONMENTAL IMPACT

Topics include:

- Direct and indirect GHG emissions
- Energy use
- Efficiency
- Exploration of scope 3 emissions
- The low-carbon transition
- Management of climate risk

Alignment to SDGs

7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Read more on page 48

SUSTAINABLE SUPPLY CHAINS

Topics include:

- Responsible procurement
- Transparency, traceability, policies, standards and reviews related to the environment
- Labour rights, human rights, forced or child labour, and ethics
- Minimising business continuity risks
- Regulatory and reputational risks

Alignment to SDGs

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Read more on page 50

CYBERSECURITY AND DATA PROTECTION

Topics include:

- Information security
- Risk management
- Privacy of data
- Security of products and services with internet connectivity

Alignment to SDGs

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Read more on page 51

EMPLOYEE-CENTRIC APPROACH

Topics include:

- Employee engagement
- Diversity and inclusion
- Health, safety and wellbeing
- Pay and benefits
- Personal development
- Community engagement

Alignment to SDGs

8 DECENT WORK AND ECONOMIC GROWTH
16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Read more on page 52

Our alignment with the United Nations SDGs

This is the first year that we are reporting on our alignment with the United Nations Sustainable Development Goals (SDGs). They are a collection of 17 global objectives adopted by the United Nations in 2015 to eradicate poverty, protect the planet and build a peaceful and prosperous world. We have chosen to report our contribution to SDGs within our impact plan to further demonstrate our alignment with universal goals and opportunities for collective action.

The Group contributes to six SDGs. Throughout the year we undertake projects that contribute to other aspects of sustainability as part of our everyday stewardship and as such we may also influence other SDGs.

Looking forward

We will be setting ourselves challenging targets against each of the four pillars within our impact plan. These targets will be monitored at a Group level by our new Sustainability Steering Committee and reported regularly to both the Executive Board and Board of Directors.

OUR JOURNEY TO NET ZERO

At the heart of what we do is designing and manufacturing innovative mission-critical protection systems and this makes us accountable for the emissions that we release as part of everyday operations (scope 1 and 2). We also have a responsibility to influence our emissions impact through our value chains, product life cycle and operating efficiencies which are classed as scope 3. This is also becoming an increasing consideration for our stakeholders and the communities within which we operate and was highlighted as a key sustainability area in our materiality assessment; see page 44.

OUR NET ZERO MILESTONES

2021

We are committed to achieving net zero by 2045 at the latest by reducing our absolute scope 1 and 2 GHG emissions compared to 2021.

This target ensures we limit our impact on irreversible climate change, providing both risks and opportunities for us. As we become more sophisticated in this area we expect to expand our knowledge and data available to us which could alter the target date.

Our 2045 target supports the U.K.'s agreement to limit global warming to well below 2 degrees Celsius compared to pre-industrial levels which the U.K. and other countries that we operate in have committed to. To achieve this, countries must reduce their GHG emissions and many countries including the U.K. have set aims to achieve net zero GHG emissions by 2050. As part of this, governments are enacting policies which include requirements to detail transition plans and evidence climate resilience to drive change.

2022

During the year we carried out a review of our existing GHG data and started to build an action plan to delivering net zero. As part of this we carried out meetings with site representatives to understand our operational emissions.

The result of the review has led to a recommendation of seven actions for the Group to focus on, to reduce scope 1 and 2 GHG emissions, and in parallel begin the assessment of scope 3 emissions. These actions include:

1. Embed a net zero mindset and assign accountability
2. Assess energy efficiency options and set an energy reduction target
3. Assess renewable electricity options and set a renewable electricity target
4. Reduce natural gas consumption
5. Reduce other scope 1 impacts
6. Plan for residual emissions
7. Assess scope 3 emissions

2022 milestones:

- Data collection and reporting methodology have been improved
- We have determined that 2021 is an appropriate base year for measuring targets against
- Production of a case study to determine the scope 3 emissions resulting from air travel

2023 & ONWARDS

Refine the plan

We believe it is appropriate to continue to verify the actions above before setting short to medium-term targets and releasing a detailed plan of action for all sites to implement.

Employee focus

The net zero transition was highlighted as an area of importance for employees amongst other sustainability areas in our materiality assessment. Our employees are keen to support us and sustainability objectives have been embedded into performance management reviews for our employees.

Over the coming year we will engage with our employees further on the direction of our sustainability agenda, targets and Net Zero Plan. Our employees' engagement with our Net Zero Plan will be critical for implementing projects and collectively achieving our goals.

Share short to medium-term net zero targets and action plan publicly

Following these steps, we will be able to deliver a considered set of short to medium-term targets and site actions that have had the appropriate level of engagement with our employees (who will be responsible for actioning) and the Board (which will sign them off).

Scope 3 categories

There are 15 areas of scope 3 for us to explore and determine the most relevant to report and track. Utilising our representatives across the business we will conduct a review of all scope 3 categories to determine which are the most material for reporting against in the future.

LEVERAGING EXPERTISE ACROSS THE BUSINESS

We have many talented technical experts across the business, including material scientists and technicians. They provide research and development capabilities in a wide range of rubbers and polymers and have access to state-of-the-art laboratories.

Our strengths lie in the skills and experience of our people, many of whom are award winning and accepted as leading industrial experts in their field.

Utilising the skills and knowledge of our people will be crucial for developing solutions to meet the exacting needs of the future including developing new materials and solutions to reduce our greenhouse gas emissions.

10

material scientists and technicians

OUR IMPACT PLAN ENVIRONMENTAL IMPACT

Our approach

Energy use and GHG emissions in addition to low-carbon transition and climate impacts came out as two sustainability areas our stakeholders value as important to the business; due to the interconnected approach, we have combined these themes under one pillar. As the economy deals with the soaring cost of energy as well as an increased level of scrutiny to reduce reliance on carbon and other environmental impacts, this will be an area of importance for us and our stakeholders for many years.

Last year we committed to being net zero by 2045 at the latest by reducing our absolute scope 1 and 2 GHG (compared to 2021). We have undertaken a project with a sustainability consultant during the year to review our operational (scope 1 and 2) GHG emissions to determine actions that will help us achieve our target. Off the back of this work, we have created our Net Zero Plan which provides direction for the Group aligned to these actions which we will continue to refine.

Our Net Zero Plan and the supporting strategy to follow support our ambition to minimise the global impact of our operations and protect our environment as well as our response to and management of climate risk.

Read more on page 46

Energy consumption

Our energy consumption in FY22 was 41,021 MWh; of this, the U.K. accounted for 28% of our global energy use. Several factors have contributed to the increase in the Group's energy use, including a ramp-up of production in several locations which includes offering last time buys for key armor business customers as we wind-down the business. A delay in contracts also resulted in increased energy use that would have otherwise been generated during FY21.

The focus for the year has been to improve our process for capturing data relating to energy consumption and set an appropriate base year for measuring against which has been achieved. As a result, we did not undertake any Group-led energy efficiency projects during the year; however, it is likely that site-led process improvements have been undertaken that have positively impacted energy efficiency but these have not been captured.

Carbon disclosures

A representative at each of our sites has responsibility for the reporting of energy use throughout the year. The collected data allows us to calculate and monitor carbon emissions and is a vital tool for measuring progress towards reducing our emissions.

During the year we reviewed the sources of GHG emissions generated at our sites to ensure we are reporting all the relevant emissions. As we start to extend our reporting into scope 3 we will continue to report in alignment with the Greenhouse Gas Protocol Corporate Standards.

In FY22 our carbon emissions amounted to 10,856 tCO_2e; of this, the U.K. accounted for 20% of our total scope 1 and 2 emissions (location based). With a revenue of \$271.9 million this gives us an intensity ratio of 39.9 tCO_2e per \$million revenue. We have established that tonnes of CO_2e per \$million revenue is an appropriate business metric which we will continue to use to define our emissions data and will be helpful for assessing our performance as we evolve.

Scope 3 – business travel

Scope 3 emissions quantify a company's indirect GHG throughout the value chain. This includes everything from the impact of purchased products and services to transportation and distribution all the way to end-of-life treatment of sold products. In total, there are 15 scope 3 categories that need to be accounted for. A top-level view on which scope 3 categories are likely to be relevant suggests 'purchased goods and services category' as significant and likely to be greater than our scope 1 and 2 emissions. We will be staging projects throughout the coming years to set up appropriate data collection and research into each category.

The availability of data on business travel enabled us to measure our impact ahead of schedule. Due to our COVID-19 travel policy and country regulations our business travel was limited in 2021 resulting in 80 tCO_2e. Since travel has been allowed our business has ensured every trip has an intended purpose. The business recognises the importance of meeting with our colleagues outside of the virtual environment, but must track the environmental impact. FY22 is a more reflective year of travel amounting to 382 tCO_2e.

There is further work ongoing on other scope 3 emissions so we can determine how relevant the scope 3 categories are for the organisation. We will continue to monitor business travel and report on it.

Site management

Our U.K. operations continue to conform to ISO 14001:2015 which reinforces how we manage our environmental responsibilities. In April, we also obtained certification for our U.S. site in California as part of bringing all our manufacturing sites under this certification. In support of this we have undergone further strengthening of our management by appointing EHS coverage at all sites which will be responsible for managing our licences. We will look to undertake two further certifications next year.

Global GHG emissions (tonnes CO_2e)

	FY22	FY21[1,3]
Scope 1		
U.K.	905	1,184
Outside U.K.	2,598	1,411
Total	3,503	2,595
Scope 2 (location based)		
U.K.	1,294	1,461
Outside U.K.	6,059	4,828
Total	7,353	6,289
Scope 2 (market based)[2]	7,518	6,525
Total scope 1 and 2 (location based)		
U.K.	2,199	2,645
Outside U.K.	8,657	6,239
Total	10,856	8,884
Intensity ratio		
tCO_2e (scope 1 and 2) per $million revenue	39.9	35.8
Selected scope 3 GHG emissions reporting (tCO_2e)		
Indirect emissions for business travel	382	80
Energy consumption		
Energy consumed (MWh)		
U.K.	11,648	13,356
Outside U.K.	29,373	19,721
Total	41,021	33,077

1 2021 data has been restated as a result of improvements made to reporting methodology and more accurate energy data. Original figures in the 2021 Annual Report were: 11,448 tCO_2e total GHG emissions and 33,911 MWh energy consumption.

2 Market based emission factors only include CO_2 and have been calculated using U.K. supplier-specific rates as well as 2019 and 2020 U.S. Green-e Energy Residual Mix Emissions Rates.

3 Team Wendy was acquired in November 2020, however data for the Cleveland facility is included for the full 2021 financial year to provide a base year.

Data has been compiled according to the operational boundary approach in the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and aligns to Streamlined Energy and Carbon Reporting (SECR).

Overall consumption has been calculated using invoiced data. Estimated data is used where invoiced data is not available within the timeline for consolidation of year end data. Two small office sites use estimated emissions based on CREEM data for heating and electricity consumption per sq ft.

Emission factors have been calculated using 2020 and 2021 U.K. Government GHG Conversion Factors for Company Reporting and the 2020 EPA eGRID conversions.

Water usage

Water consumption across all six of our sites is limited to mainly domestic use, for drinking and sanitary disposal. Where water discharges do occur due to product testing, they are disposed of in line with local government guidelines.

Waste

During the year we established centralised tracking and monitoring of our different waste streams at our U.K. headquarters which identified that over 97% of waste generated from operations at this site is either recovered or recycled (290.15 tonnes of waste generated during FY22). For the purpose of establishing baseline waste figures for the Group and assessing our scope 3 emissions we will look at setting up similar data reporting requirements at our other sites.

We also commenced our partnership with one of our suppliers, AK Industries Limited, to reuse packaging for all products delivered. All packaging the site receives from AK Industries is sent back to the supplier in Correx packaging for them to reuse, which resulted in 5,000 boxes being reused during the year. By doing this we help to conserve resources, reduce waste and avoid emissions generated through needless reprocessing.

Any hazardous waste generated, as defined by the Control of Substances Hazardous to Health and U.S. Environment Protection Agency (U.S. EPA), is disposed of in line with local guidelines.

Environmental incidents

There have been no environmental incidents as defined by the U.K. Environment Agency or the U.S. EPA at any of our sites or in relation to our supply chain throughout the 2022 financial year.

Looking forward

In FY23 we will continue to focus on employees' engagement building in greater connection with our Net Zero Plan through internal information campaigns. We will also expand our data collection to include waste, water and other scope 3 categories.

HIGHLIGHTS

0
environmental incidents

2
sites certified to ISO 14001 2015

OUR IMPACT PLAN SUSTAINABLE SUPPLY CHAINS

Our approach
Primarily, we consider sustainable supply chains to encapsulate ethical and environmentally responsible practices. Recent supply chain disruption, which has resulted from macro events such as the ongoing conflict in Ukraine and COVID-19 lockdowns, has heightened our stakeholders' awareness of supply chains and ensuring they can operate sustainably.

The risk of further disruption through extreme weather and sea level change is suggested to increase over time under certain climate scenarios, see page 63. To reduce this risk, we are working towards net zero by reducing our absolute scope 1 and 2 GHG emissions (compared to 2021), and recognise we must support our supply chain to do the same.

This is the first year of detailed reporting on issues relating to our supply chain and over the coming year we will look to develop our direction and set targets within this pillar.

Supply chain
For us to achieve our long-term ambitions in sustainability, we recognise that the management of and support from our suppliers will be vital to ensure they are responsible for conveying the same level of compliance to their supply base as we are. When we consider a new supplier to provide products or services, a supplier survey must be completed before they can be approved which includes evidence that they have implemented a comprehensive Quality Management System, or progress towards developing one with the goal of the Sub-Supplier conformity to ISO 9001.

Rationalisation
Following the acquisition of 3M's ballistic protection business and Team Wendy, we have undertaken projects to rationalise our supply chain to create manufacturing efficiencies and reduce the monitoring burden.

Policies
Our supplier Code of Conduct provides a minimum set of requirements for our suppliers to adhere to and also encourages suppliers to implement their own Code of Conduct for their employees and to cascade this throughout their supply chain. If suppliers have concerns regarding any of the matters covered in this Code of Conduct, we expect them to bring these to our attention.

OUR SUPPLY CHAIN

603

approved production suppliers

Read more on our Code of Conduct on our website

Read more on our Modern Slavery Statement on our website

Product development
Product safety and quality is at the core of all our business practices. The majority of our products are approved to customer or industry safety standards which involves rigorous testing. Our production employees receive mandatory product safety training, and all of our products undergo internal safety and quality testing programmes. Where standards require, external safety audits are conducted on our products.

We recognise it is essential to develop products that generate long-term value for the business and do not compromise the environments and community in which we operate or influence through cradle to grave. As we work towards our net zero GHG target, we will be reviewing our products' scope 3 emissions which will inform our transition over time to reduce the GHG emissions generated through the life cycle of our products.

Looking forward
In FY23 we will continue to develop our knowledge of our supply chain and how this impacts our scope 3 emissions as well as take opportunities to support our suppliers to further this agenda.

OUR IMPACT PLAN
CYBERSECURITY & DATA PROTECTION

Our approach
Cybersecurity and data protection came out strongly as a key sustainability issue that was highlighted in our materiality assessment. As a contractor for the U.S. DOD we have an obligation to be compliant and ensure the highest levels of security are met.

Managing data protection
As a contractor to militaries, we handle defence-related data. Through our work with the U.S. DOD we are subject to the International Traffic in Arms Regulations (ITAR) which mandate that access to data related to defence and military technologies is restricted to U.S. citizens only. A violation of ITAR could result in fines and/or loss of export licences. As with many organisations, we face risks from external threats that could cause sensitive data to be lost, corrupted or accessed by unauthorised users, leading to financial or reputational loss. Over the past 12 months, we have started an integration programme to ensure our newly acquired sites are running on our latest and most secure network. This programme is ongoing and will continue into the next year as we cover key aspects including infrastructure, ERP, desktop equipment and applications.

As of 2022, we have revisited and updated our Information Classification Policy. We commonly exchange information, some of which could have security classifications with external customers and partners, so as a Group, we prioritise the placement of appropriate markings, disclosure agreements and security measures. In addition, during the past year we have launched the Group's new Compliance Programme alongside a reviewed and revised Information Security Policy and Code of Conduct. These documents define the standards expected of each employee, contractor and third party acting on behalf of Avon Protection, including meeting physical, digital and data security requirements. Over the next 12 months we have a target to introduce additional compliance training covering each of our three core compliance pillars spanning organisational governance, export compliance and security in an approach very similar to our proven and successful cybersecurity training programme.

OUR ACHIEVEMENTS THIS YEAR

>90%
employees completed annual cybersecurity training

2022
Compliance Programme launched

Cybersecurity
As workplace COVID-19 restrictions reduce, we continue to be a flexible employer, allowing individuals to work from home where possible and, as a result, continue to maintain the enhanced monitoring of phishing attempts and other security threats both within and outside of our core locations. We have policies and mandatory online training delivered by a leading provider throughout the year, continually raising awareness of such risks with our employees to avoid any data breach of confidential information. Training includes online courses and questionnaires surrounding topics such as protecting personal and sensitive data and how to recognise social engineering attacks, with industry benchmarking data suggesting users are six times less likely to be prone to a phishing attack 12 months after this training. With 91% of successful data breaches starting with a spear phishing attack, we also run regular security tests to ensure our employees continue to utilise the tools provided to them in addition to their training. Since joining the programme, our cyber tests have proven our phish-prone rating to be half that of the industry average.

Cybersecurity training is a key line of defence for the Group and continues to support us as we work towards meeting the requirements of Cybersecurity Maturity Model Certification (CMMC) 2.0. CMMC 2.0 is a requirement for all contractors and subcontractors of the U.S. DOD, as the model brings together many cybersecurity requirements to better protect Controlled Unclassified Information (CUI).

Looking forward
As an organisation that handles CUI, we are working towards meeting the requirements of CMMC 2.0.

OUR IMPACT PLAN
AN EMPLOYEE-CENTRIC APPROACH

Employee engagement

We are committed to maintaining a high level of employee engagement across all sites and providing an environment where all employees can fulfil their potential.

Maintaining high levels of communication with all employees is a focus across the Group as we host monthly leadership events with members of the Executive Board. This provides the opportunity for the Executive Board to give an update on the business, their vision for the future and what requires further focus in a single clear message to all employees. These events also provide employees with the opportunity to ask questions directly and anonymously if they so wish. Over FY22, we have also held more in-person townhall meetings during each Executive Board site visit, providing employees with a further opportunity to engage, ask questions and hear directly from leadership.

We greatly value employee feedback and continue our initiative to celebrate and enhance the culture at Avon Protection. Culture Champions have been selected from every level of the organisation with the intention of playing a crucial role in maintaining an open communication culture within the Group. Their role includes speaking to our employees on matters such as leadership, learning and development, and social connection. The Executive Board also actively meets and engages with Culture Champions during each of its site visits.

Our biannual surveys provide employees with a further opportunity to provide feedback and suggest improvements on aspects such as leadership communication, employee engagement, team culture and work environment. Results from these surveys are then presented to the Board of Directors, the Executive Board and the wider leadership team with areas for improvement at both site and Group level discussed. Our Culture Champions then support in the implementation of the changes and give feedback to our employees. This discussion is two-way, as Culture Champions then feed back on how this change or feedback has been accepted across the business.

Health, safety and wellbeing

In line with our goal of zero harm, we continue to actively promote a strong safety culture. We have mandatory training and policies in place for all production employees on workplace safety and practices.

This year, across our operational sites, we recorded a total of 5 workplace lost time cases. We track incidents on a monthly basis and have a global target to reduce our incident rate to zero, against which we are making progress. Over the past year, we have also globally aligned the way in which we collect safety data across all of our sites. We have developed an online hub for U.K. employees, providing them with access to equipment-specific safety training courses to become certified by the business upon course completion. The online hub, once implemented across all sites, will play an integral part in achieving our zero-incident target.

The health and wellbeing of our employees is important to us and throughout the year we share resources with them on how to look after their mental and physical wellbeing. We hold a multitude of wellbeing webinars based on key topics throughout the year, such as work-life balance, exercise and seasonal nutrition. These webinars allow employees to switch off from work for an hour and ask our expert presenters questions, increasing our employee engagement and involvement.

Diversity and inclusion

Diversity provides a better culture for all. We are committed to equality for all employees as we strive to provide an environment where every individual can meet their full potential.

Female representation across our Executive Board and direct reports is 21% and we are committed to improving this in the future. Across all employees, we have achieved a ratio of 42% (420 out of 995) female and 58% (575 out of 995) male.

As part of our pledge to continuously improve the balance of female to male employees across all our sites, we have signed the Women in Defence U.K. charter. This charter reflects our aspirations to see women represented and empowered across the defence sector and our intention to work with fellow industry leaders to enhance the gender balance.

Having established the Balance@Avon initiative two years ago, we are proud of what we have achieved so far in addressing gender inequalities in the workplace. The initiative aims to motivate, empower and support all employees, particularly those who may feel that they are in a minority, to understand themselves and their aims and how they might work towards achieving them. To continue our efforts, we regularly rotate the members of the Steering Committee to ensure that everyone has the opportunity to contribute new ideas. Following the most recent rotation, the Committee is in the process of establishing a framework to expand the Balance@Avon umbrella to give employees a guide for how they can create further sub-groups for other areas of diversity and inclusion.

PUTTING OUR PEOPLE FIRST

Personal development

We strive to provide an environment that offers training and development opportunities for all. We have continued with our Professional Development Programme (PDP), a year-long talent development programme, with the aim to identify, encourage and support the next generation of internal talent to contribute to the business beyond the scope of their current roles. Participants set personal development targets which are worked on for the year with internal mentor support. Mentors are Executive team members who provide a source of advice and support for the participants in addition to their line manager.

Our talent management process that we call the Global Performance Management Process (GPMP) is a critical tool that enables the Group to ensure all employees are working towards goals aligned with business objectives, their career aspirations and development needs are being discussed and reviewed. We also continue to focus on early careers, giving those at the beginning of their career journey the help and support that they need to establish a successful and fulfilling career through work experience, internships, placement years, apprenticeships and graduate programmes.

We believe our employees thrive the most when they can improve and enhance their skill sets and work on their personal development. We have provided our employees with access to tools, such as LinkedIn Learning, to help with their career progression and personal development in whichever way works best for them. With over 30,000 videos watched over the past year, LinkedIn Learning has proven to be an invaluable tool for our employees to complete online courses in any areas of interest to progress their career paths and expand their knowledge.

61%
activated licences

30,000+
eLearning videos watched

Our U.S. sites report equal employment opportunities data annually to the U.S. Government and to the State of California under pay equity requirements. Affirmative action plans are also in place which outline goals for women and minorities, veterans and people with disabilities by establishment.

Our average U.K. gender pay gap for FY21 (reported in April 2022) is 37%. The pay gap is due to the Company having more women in operations and assembly roles in the lowest quartile (55.2%) compared to more men in the top quartile (82.1%) and does not stem from paying men and women differently for the same or equivalent work. While the percentage of men in the upper quartile of pay has reduced since FY20, our existing focus to address the gender balance at our Company leadership team levels continues through initiatives such as Balance@Avon, which will help to close the overall pay gap with more female representation at this level. Our gender pay gap data can be found in the Governance section of our website.

OUR ACHIEVEMENTS THIS YEAR

69%
reduction in lost time cases

85
members in Balance@Avon community

30%
pledged female representation through the Women in Defence U.K. charter

16
executive leadership engagements

Pay and benefits

During 2022 we have engaged an HR consultant to help us with defining our remuneration philosophy and reviewing our pay and benefits in order to retain and attract talented individuals. Our aim has been to align and simplify our approach, ensuring we are fair and consistent in the way we treat our employees, regardless of location.

Community engagement

We continually work with and for the communities in which we operate, recognising our role as a major local employer. We have recently expanded our partnership with Bath Rugby, to support its Primary Education programme centred around developing numeracy skills and promoting sport, health and wellbeing. 'Attacking Maths', the programme aimed at developing numeracy skills, has seen over 100 sessions of numeracy and tag rugby delivered to 20 primary schools in the South-West of the U.K. The Girls Participation Hubs programme has seen over 450 young girls participate in training sessions and games led by Bath Rugby's grassroots coaches. Feedback from this programme has been very positive, with high-quality, exciting teaching for the children, upskilling of members of staff at the school and enthusiasm shared between teachers, children and parents.

From sponsoring local sports teams and charitable events to our incredible employees who choose to push themselves for a great cause, this year we have approved charitable giving requests totalling in excess of $108,403. Our employees have undertaken ten-hour, 48km hikes and local corporate challenges spanning months to name but a few, and we will continue to encourage such efforts, requests and donations throughout FY23.

Looking forward

In the coming year we will continue to embed the new online health and safety hub across our sites and expand on our successful Balance@Avon umbrella to enable further areas of improvement in diversity and inclusion.

OUR APPROACH TO TCFD

(TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES)

This is the first year we have reported on TCFD requirements, as per Listing Rule LR9.8.6R. Whilst we acknowledge that we are only partially compliant this year, we have conducted a gap analysis to identify the key areas for action to ensure that we are fully compliant against each of the four thematic areas and 11 underlying recommendations by 2024. Our governance disclosure is fully compliant; during FY22 we established an appropriate governance structure which we intend to further embed in the coming year. Our strategy disclosure is partially compliant; during the year we have worked towards improving compliance by developing two qualitative climate scenarios for identifying climate-related risks and opportunities. Having identified these risks, we are now looking to better understand the impact these have on businesses strategy, financial planning and budgeting, in addition to enhancing our approach to climate scenario analysis and modelling. Our risk management disclosure is partially compliant; using climate scenario analysis we have identified and assessed climate-related risk and opportunities in FY22 which we have begun to integrate into our Group Risk Management process, and we will continue to review our processes for embedding the identification, assessment and management of climate risks into the business. Over the coming year we will further develop our climate scenarios and look at opportunities for quantitative assessment of short, medium, and long-term risks. Our metrics and targets disclosure is partially-compliant, during FY22 we focused on improving our data collection processes which will be a platform for disclosing additional details on targets, metrics and scope 3 emissions. In FY23 we will investigate a wider breadth of metrics which may be applicable, and we believe this will enable us to be fully compliant in the next disclosure.

GOVERNANCE

Board oversight of climate-related risks and opportunities and management's role in managing climate-related risks and opportunities

During the year we have established a formal governance structure with responsibility for delivering our sustainability agenda and the management of climate-related risks and opportunities.

The Board oversees and has overall responsibility for Avon Protection's sustainability agenda, disclosures and reporting. This includes, but is not limited to, the identification, assessment and management of climate risks and opportunities.

During the year a Sustainability Committee, chaired by Rich Cashin, was established with responsibility for the implementation and delivery of our sustainability agenda on behalf of the Board. The Sustainability Committee meet monthly and will recommend to the Board for approval, sustainability-related targets and review the Company's progress towards those targets, reporting regularly to both the Executive Board and main Board. The employee forum is responsible for promoting the views of the workforce. Please see the diagram on page 43 that illustrates at a high level how sustainability and climate-related issues are integrated into our governance and Board Committee structures.

The Board oversees risk management using the Three Lines of Defence methodology which is described within our Risk Management section on page 62.

Management is responsible for assessing and managing these climate-related risks and opportunities at the operational level and raising to the attention of the Risk Committee any risks that constitute as emerging (a risk in the next 0 to 3 years that has the potential to become an increasingly higher risk through either increased likelihood and/or increased size of impact).

Looking forward

To strengthen ownership on climate-related matters we will be carrying out internal campaigns to raise awareness. We will also consider training opportunities for our Board and management teams.

STRATEGY

What are our climate-related risks, in the short, medium and long term?

We received technical advice on the requirement to disclose against TCFD; part of this was to identify an appropriate climate scenario to support Avon Protection's analysis of risks and opportunities. See the case study on page 63 for more details on our approach.

We identified climate-related risk and opportunities through the development of our qualitative climate scenarios. During the year, these were reviewed with each business unit and the Risk Committee identified four new risks to be integrated into our Group Risk Management process, see page 63. Each business unit applied bespoke impact assessment measures based on financial indicators and other impacts relative to the size of the business unit to each of the identified risks. This review did not highlight any material risks that would impact the business in the year ahead.

We can split the findings into transitional and physical risks and opportunities.

Risks and opportunities

Transitional

- **Technology adoption and change in customer requirements (new):** Lack of technology adoption and innovation to reduce embedded carbon within products risks increased costs and misalignment with customer requirements. Innovation in this area could put us ahead of our competition.
- **Inability to recruit and retain talent:** Poor sustainability results and progress towards our net zero target may reduce our ability to recruit and retain talent.
- **Failure to reduce reliance on carbon (new):** The business could be impacted by emerging regulations and policies, leading to increased costs in procurement, manufacturing and distribution operations as well as fines and litigation.
- **Deterioration of stakeholders' perception of the defence sector (new):** Stakeholder pressure for businesses to act responsibly continues to grow. The defence sector currently forms a significant part of governments' GHG emissions and there is a reputational risk if defence suppliers are seen as not meeting expectations on climate change.

Physical

- **Plant closure due to incident or natural disaster:** Likelihood of extreme weather events such as heatwaves, extreme winds and flooding will lead to increasing disruption on production under a 4°C scenario.
- **Supply chain disruption (new):** Supply chain becomes increasingly susceptible to climate-related disruption impacting our ability to deliver and negatively impacting our reputation under a 4°C scenario.

The establishment of a climate scenario was part of a phased approach and we recognise that our scenarios will develop overtime to distinguish risks that are short, medium or long term.

STRATEGY CONTINUED

What is the impact of climate-related risks and opportunities on our business, strategy and financial planning?

- **Products and markets:** Our products and those of our competitors inherently have embedded carbon. Climate-related mitigations will evolve the way we design, manufacture and manage our product portfolio. This offers opportunities for us to lead in innovation, as customers' requirements may be altered to favour low-carbon embedded technology.
- **Operations:** Our operational footprint covers six manufacturing facilities across two developed markets which are expected to have increasing levels of climate scrutiny and monitoring requirements. We acknowledge that physical risks (such as extreme weather events) have potential to affect our operations and we will continue to develop our continuity plans to be more forward looking.
- **Strategy:** Last year we committed to being net zero by 2045 at the latest by reducing our absolute scope 1 and 2 GHG emissions. During the year we have been focused on setting an appropriate base year for measurement and action in the coming years and 2021 was agreed to be appropriate. Net zero considerations have been added to our strategy documents; further refinement and communication with management teams are required to influence the direction of our strategy in relation to climate change.
- **Financial planning:** We recognise that assessing the financial implications of climate change will be an essential step and we commit to conducting this assessment in line with refining our approach.

How resilient is our business strategy to different climate scenarios?

We recognise that climate change does have an impact on our business under the two different scenarios that have been explored, see page 63. The assessment indicated that under a below 2°C scenario transitional risk would be more significant whereas physical risk would be more pertinent in the 4°C scenario. As we gain experience in assessing climate-related risks and opportunities we will look for opportunities to start developing quantitative information to illustrate these outcomes in the coming year.

Looking forward

As our approach to climate-related risks and opportunities matures we will be refining our climate scenarios to quantify impact on the organisation's business strategy, financial planning and budgeting, as well as developing our approach to identifying short, medium and long-term risks.

RISK MANAGEMENT

What are the processes through which we identify, assess and manage climate-related risk and how are these integrated into our risk management programme?

Last year we identified sustainability as a new principal risk to be developed during 2022 which would include climate-related risks and opportunities, see page 62.

During the year with the help of a consultant, and through consultation with a cross section of our leadership team, we developed a qualitative climate scenario narrative (see case study on page 63) which has provided us with a tool to review our likely physical and transitional risks and opportunities through the lens of two different climate scenarios. This was the first step in refining our approach to climate-related risk. We also undertook a materiality assessment of sustainability themes which included stakeholder feedback and assessment of operational and reputational impact to the business. This work, alongside our Net Zero Plan, has helped to identify areas of climate change risks and opportunities.

During the year, business units reviewed these risks and opportunities. The risk review committee identified six items to be escalated and managed through the Group Risk Management process, including measures to mitigate risk, see page 63 for details on this process. We will continue to monitor and track other risks and opportunities through a detailed sustainability sub-register. Several climate-related risks and opportunities have been highlighted to the Risk Committee as emerging, however they are not believed to have an impact on the business in the year ahead.

The risk scores from the business unit registers are combined to determine our highest considered risks across the Group which are then presented to the Audit Committee, in addition to the list of emerging risks.

Looking forward

We will continue to evolve how we identity and monitor risks and opportunities and the process by which we escalate a risk to the Group Risk register process.

METRICS AND TARGETS

Metrics used to assess climate-related risks and opportunities and the targets we use to manage the risks and opportunities

Many of the climate-related risks and opportunities we face are related to our transition to net zero. Therefore, greenhouse gas emissions data is the key metric we are currently using to assess these risks. See page 49.

We have also established that tonnes of CO_2e per million revenue is an appropriate business metric to define our emissions data. This is a new operational key performance indicator which is in line with our strategy and investor proposition, see page 37.

To support the progress towards these targets, the Remuneration Committee established ESG-related objectives as part of the bonus scheme for Executive Directors in 2021 and it is anticipated that these measures will continue to feature as part of the bonus structure going forward.

Our scope 1, 2 and 3 GHG emissions

During the year greenhouse gas scope 1 and 2 emissions from all sites were reviewed by a consultant to allow us to improve our data collection and reporting processes.

A top-level view on which scope 3 categories are likely to be relevant suggests the 'purchased goods and services' category as significant and likely to be greater than our scope 1 and 2 emissions. We will be staging projects throughout the coming years to determine appropriate data collection into each category. The availability of data enabled us to measure our impact on scope 3 greenhouse gas emissions through business travel ahead of schedule.

See page 49 for disclosure of our scopes 1 and 2 and a review of scope 3 emissions generated through business travel.

Looking forward

During the year we were focused on improving our data collection and setting a base year which will be a platform for disclosing additional details on targets, metrics and scope 3 emissions relevant to net zero and our sustainability agenda in the next disclosure.

SIGNIFICANT LONG-TERM GROWTH OPPORTUNITY

Full year results underpinned by a significant step-up in H2 financial performance.

Avon Protection has seen strong revenue growth in 2022 with revenue of $271.9 million up 9.5% (9.1% on an organic constant currency basis) compared to the prior period. However, a shift in product mix, along with operational challenges including supply chain constraints, have impacted profitability, resulting in an adjusted operating profit of $10.1 million (2021: $22.0 million) which includes $13.3m of losses relating to the armor business, and a statutory operating loss of $2.1 million (2021: loss of $29.0 million).

	1 October 2022	2 October 2021[2]	Organic change (constant currency)[3]
Orders received	$280.1m	$282.7m	(1.6%)
Closing order book	$151.3m	$143.1m	7.8%
Revenue	$271.9m	$248.3m	9.1%
Adjusted[1] EBITDA	$25.5m	$37.6m	(38.5%)
Adjusted[1] EBITDA margin	9.4%	15.1%	(710bps)
Adjusted[1] operating profit	$10.1m	$22.0m	(61.4%)
Adjusted[1] net finance costs	$(4.0)m	$(3.1)m	33.3%
Adjusted[1] profit before tax	$6.1m	$18.9m	(74.4%)
Adjusted[1] taxation	$0.1m	$(0.3)m	
Adjusted[1] profit after tax	$6.2m	$18.6m	(73.1%)
Adjusted[1] basic earnings per share	20.4c	60.6c	(72.9%)
Dividend per share	44.9c	44.9c	0.0%
Net debt excluding lease liabilities[1]	$44.2m	$26.8m	64.9%
Cash conversion[1]	142.7%	83.2%	
Statutory results			
Operating loss	$(2.1)m	$(29.0)m	
Net finance costs	$(6.4)m	$(6.6)m	
Loss before tax	$(8.5)m	$(35.6)m	
Taxation	$2.9m	$11.1m	
Loss after tax from continuing operations	$(5.6)m	$(24.5)m	
Loss from discontinued operations	$(2.0)m	$(1.1)m	
Loss for the period	$(7.6)m	$(25.6)m	
Basic loss per share from continuing operations	(18.5)c	(79.9)c	
Net debt[1]	$68.0m	$55.9m	

1 The Directors believe that adjusted measures provide a useful comparison of business trends and performance. Adjusted results exclude exceptional items and discontinued operations. The term adjusted is not defined under IFRS and may not be comparable with similarly titled measures used by other companies.

2 In previous periods, the Group reported financial statements to 30 September, this being the Company's accounting reference date. Headings for the current and prior period now show the actual dates to which the financial statements were drawn up. This has no impact on previously reported numbers.

3 Organic constant currency measures are provided in note 11 of the adjusted performance measures section.

Order intake totalled $280.1 million (2021: $282.7 million) in the year, down 0.9% (1.6% on an organic constant currency basis), with increases in head protection, including the previously announced $42.1 million order for NG IHPS, offset by decreases in respiratory following the receipt of several large NSPA orders in the prior year. Order intake excluding armor totalled $267.9 million (2021: $281.0 million), down 4.7% (5.4% on an organic constant currency basis).

The closing order book of $151.3 million (2021: $143.1 million) reflects an increase of 5.7% (7.8% on an organic constant currency basis) on the prior period. Closing order book excluding armor of $120.9 million (2021: $116.5 million) reflects an increase of 3.8% (6.2% on an organic constant currency basis).

Revenue totalled $271.9 million (2021: $248.3 million), up 9.5% (9.1% on an organic constant currency basis), reflecting strong growth in respiratory notably driven by the NSPA contract, offsetting a small decline in head protection. Revenue excluding armor totalled $263.5 million (2021: $241.8 million), up 9.0% (8.6% on an organic constant currency basis).

STRATEGY IN ACTION
INTEGRATING ACQUISITIONS

EXPANDING OUR HEAD PROTECTION PORTFOLIO

We recognise the importance of integrating recent acquisitions to build a stronger business. Our priority over the past year has been the integration of the 3M's ballistic protection business and Team Wendy which were acquired in 2020.

During 2022, we launched the Cleveland IT Integration Programme, with the objective of transitioning Team Wendy onto the Avon Protection infrastructure and standardising IT services under the management of the Avon Protection IT team. Achieving this will enable our business to operate more efficiently and puts us in an even greater position to meet the 2024 cybersecurity requirements for the militaries and first responders we supply.

We were also pleased to incorporate our Cleveland employees into our ADP Payroll system and ADP Mobile App, providing all employees with 24/7 access to their payroll information from their mobile device at any time, from anywhere.

Progress has been made to intertwine our culture with our acquisitions. Culture Champions have been selected from every level of the organisation to allow for an open communication culture within the Group. Looking forward, Culture Champions will be recruited at the Cleveland site also. This year's Professional Development Programme (PDP) is also the first to include participants from Team Wendy.

2

World-leading portfolios

> **WE HAVE SEEN STRONG REVENUE GROWTH IN 2022. HOWEVER, A SHIFT IN PRODUCT MIX, ALONG WITH OPERATIONAL CHALLENGES INCLUDING SUPPLY CHAIN CONSTRAINTS, HAS IMPACTED PROFITABILITY.**

Adjusted EBITDA of $25.5 million is down 32.2% (38.5% on an organic constant currency basis) compared to the prior period (2021: $37.6 million) with operational challenges including supply chain disruptions and manufacturing inefficiencies, along with shifts in product mix being the predominant factors for the decrease. Adjusted EBITDA margin of 9.4% represents a decline of 570bps (710bps on an organic constant currency basis). Adjusted EBITDA losses for armor totalled $13.3 million with a large overhead base supporting low levels of throughput prior to FAT approval, resulting in adjusted EBITDA excluding armor of $38.8 million, down 15.7% (21.8% on an organic constant currency basis) compared to the prior year (2021: $46.0 million), and EBITDA margin excluding armor of 14.7%, down 430bps. Headwinds were alleviated somewhat in H2 with operational improvements and benefits of the overhead reduction programmes.

Adjusted operating profit of $10.1 million (2021: $22.0 million) is after adjusted depreciation, amortisation and impairment of $15.4 million (2021: $15.6 million), a decrease of 54.1% (61.4% on an organic constant currency basis) compared to the prior period following the decrease in EBITDA.

Statutory operating loss was $2.1 million (2021: loss of $29.0 million) after $12.2 million adjustments (2021: $51.0 million adjustments) with the decreased loss as a result of the large amount of armor related impairments in the prior year. The adjusted performance section contains further explanation for adjusting items which are summarised below.

	2022 $m	2021 $m
Statutory operating loss	(2.1)	(29.0)
Amortisation of acquired intangibles	6.8	14.2
Impairments and provisions related to armor assets	1.8	46.8
Release of contingent consideration	(3.9)	(15.7)
Impairment of non-current assets	3.6	0.7
Restructuring costs	3.3	—
Acquisition and transaction costs	0.6	2.6
Inventory fair value adjustments	—	2.4
Adjusted operating profit	10.1	22.0

Adjusted net finance costs increased to $4.0 million (2021: $3.1 million) due to higher net debt and variable interest charges.

After an adjusted tax credit of $0.1 million (2021: charge of $0.3 million), the Group recorded an adjusted profit for the period after tax of $6.2 million (2021: $18.6 million).

Adjusted basic earnings per share decreased by 66.3% to 20.4 cents (2021: 60.6 cents).

Statutory net finance costs of $6.4 million (2021: $6.6 million) include $1.3 million (2021: $1.3 million) of discount unwind relating to the U.K. pension scheme and a discount unwind of $1.1 million (2021: $2.2 million) relating to the contingent consideration payable to 3M.

Statutory loss before tax from continuing operations was $8.5 million (2021: loss of $35.6 million) and, after a tax credit of $2.9 million (2021: credit of $11.1 million), the loss for the period from continuing operations was $5.6 million (2021: loss of $24.5 million). Basic losses per share from continuing operations were 18.5 cents (2021: losses of 79.9 cents).

Revenue

	2022				2021			
	Respiratory $m	Head protection $m	Armor $m	Total $m	Respiratory $m	Head protection $m	Armor $m	Total $m
U.S. DOD	63.2	35.5	—	98.7	86.1	39.1	—	125.2
Commercial Americas	40.5	25.2	—	65.7	40.4	22.4	—	62.8
U.K. & International	89.3	9.8	—	99.1	42.1	11.7	—	53.8
Total excluding Armor	193.0	70.5	—	263.5	168.6	73.2	—	241.8
Armor	—	—	8.4	8.4	—	—	6.5	6.5
Total	193.0	70.5	8.4	271.9	168.6	73.2	6.5	248.3

U.S. DOD

U.S. DOD revenue declined by 21.2% to $98.7 million (2021: $125.2 million).

U.S. DOD respiratory revenue declined by 26.6% to $63.2 million (2021: $86.1 million) as a result of the M69 contract coming to an end, reduced volumes of Powered Air Purifiers, and a strong prior year comparator for spares and accessories. Head protection revenue declined by 9.2% to $35.5 million (2021: $39.1 million) following the completion of the first-generation IHPS contract. Deliveries against the follow-on NG IHPS will commence in FY23.

U.S. DOD closing order book for 2022 of $92.3 million (2021: $62.1 million) provides excellent revenue visibility for 2023 and is comprised of $39.0 million respiratory orders and $53.3 million head protection orders.

Commercial Americas

Commercial Americas revenue increased by 4.6% to $65.7 million (2021: $62.8 million).

Commercial Americas respiratory revenue grew by 0.2% to $40.5 million (2021: $40.4 million) with price increases within our commercial portfolio throughout the period giving strong momentum in the second half after a weaker start. Head protection revenue grew by 12.5% to $25.2 million (2021: $22.4 million), predominantly reflecting the additional month of Team Wendy ownership.

Commercial Americas closing order book for 2022 of $7.9 million (2021: $5.2 million), comprises $4.5 million of respiratory orders and $3.4 million of head protection orders.

U.K. & International

U.K. & International revenue increased by 84.2% (88.9% on an organic constant currency basis) to $99.1 million (2021: $53.8 million).

U.K. & International respiratory revenue grew by 112.1% (120.0% on an organic constant currency basis) to $89.3 million (2021: $42.1 million) as a result of continued expansion of the NSPA contract, with deliveries made to seven countries within the period, whilst head protection revenue saw a decline of 16.2% (18.8% on an organic constant currency basis) to $9.8 million (2021: $11.7 million) following the switch of the Australian Defence Forces Tiered Combat Helmet (TCH) program from production to sustainment and refurbishment.

U.K. & International closing order book for 2022 of $20.8 million (2021: $49.3 million) follows strong deliveries to NSPA resulting in a decreased respiratory order book of $16.7 million (2021: $48.5 million), partially offset by an increase in the head protection order book to $4.1 million (2021: $0.9 million) after a strong launch into the European market.

Armor

Armor revenue increased by 29.2% to $8.4 million (2021: $6.5 million) following commencement of DLA ESAPI deliveries.

Armor closing order book of $30.4 million (2021: $26.6 million) comprises $20.1 million of DLA ESAPI and $10.3 million of flat armor.

"IN LINE WITH OUR STRATEGY TO MAINTAIN OUR TECHNOLOGY LEADERSHIP POSITIONS, WE CONTINUE TO INVEST IN OUR PORTFOLIO OF PRODUCTS. TOTAL INVESTMENT IN RESEARCH AND DEVELOPMENT AMOUNTED TO $10.9 MILLION (2021: $19.1 MILLION).

STRATEGY IN ACTION
GROWING THE CORE

A RECORD-BREAKING YEAR FOR MI-TICS

This year we celebrated a record-breaking year for our thermal imaging camera range. Contributing to this success, were orders from the U.S Navy, amounting to 584 Mi-TIC S thermal imaging cameras.

The Mi-TIC S is a premium, lightweight thermal imager with industry-leading dynamic range and large display for top performance in the most extreme firefighting environments. The camera provides a crystal-clear image with a dynamic range up to 2000°F (1100°C). It allows users to clearly view extremely high temperatures without whiteout, as well as very low temperature objects. Proven in some of the toughest operating environments, the Mi-TIC S is in use with both sea and shore-based firefighters globally.

Working closely with the U.S Navy, we specifically tailored the Mi-TIC S to meet the requirements of the U.S. Navy Damage Controlman firefighting teams. These cameras are being rolled-out across the fleet as part of an ongoing equipment modernisation programme.

The growth and success of our Mi-TIC range this year not only demonstrates our ability to successfully grow our core business but also our ability to understand and meet our customer's requirements.

Research and development expenditure

In line with our strategy to maintain our technology leadership positions we continue to invest in our portfolio of products. Total investment in research and development (capitalised and expensed) amounted to $10.9 million (2021: $19.1 million), of which $6.0 million (2021: $7.8 million) related to our respiratory portfolio, and $4.9 million (2021: $5.4 million) to the development of our head protection portfolio. Total research and development as a percentage of revenue was 4.0% (2021: 7.7%), with the decrease following cessation of armor related development, which amounted to $5.9 million in FY21.

	2022 $m	2021 $m
Total expenditure	10.9	19.1
Less customer funded	(1.4)	(2.3)
Group expenditure	9.5	16.8
Capitalised	(5.8)	(15.0)
Amortisation and impairment of development expenditure	6.7	12.4
Total income statement impact	10.4	14.2
Revenue	271.9	248.3
R&D spend as a % of revenue	4.0%	7.7%

Within respiratory, investment centred around the development of the EXOSKIN range of boots and gloves, and improvements to the supplied air ST54 tactical self-contained breathing apparatus.

Development expenditure for the head protection portfolio has focused on the NG IHPS and ACH GEN II programmes.

Net debt and cash flow

	2022 $m	2021 $m
Adjusted EBITDA	25.5	37.6
Share-based payments and defined benefit pension scheme costs	1.8	1.9
Working capital[1]	9.1	(8.2)
Cash flows from continuing operations before exceptional items	36.4	31.3
Restructuring, transaction and acquisition costs paid	(1.6)	(4.4)
Cash flows from continuing operations	34.8	26.9
Cash flows from discontinued operations	(1.3)	(3.3)
Cash flow from operations	33.5	23.6
Payments to pension plan	(8.5)	(2.9)
Finance costs from loans and leases	(3.7)	(2.7)
Repayment of lease liability	(4.1)	(3.7)
Tax received/(paid) excluding capital gains tax paid on divestment[2]	3.7	(4.3)
Capital expenditure	(8.9)	(31.6)
Acquisitions and divestments	(3.2)	(137.1)
Purchase of own shares – LTIP and share buyback	(12.4)	(4.3)
Dividends to shareholders	(13.4)	(12.1)
Foreign exchange	(0.4)	0.6
Change in net debt	(17.4)	(174.5)
Opening net debt, excluding lease liabilities	(26.8)	147.7
Closing net debt, excluding lease liabilities	(44.2)	(26.8)

1 Working capital excludes $1.6 million armor inventory impairment (2021: $1.7 million) and $2.4 million inventory acquisition accounting adjustments in 2021. These are included within changes in inventory in the statutory reconciliation of cash flow from operations.

2 Cash flows from divestments in the prior period are shown net of $9.0 million capital gains tax paid. This is included in tax paid in the Consolidated Cash Flow Statement.

Net debt and cash flow continued

Cash flows from continuing operations before exceptional items were $36.4 million (2021: $31.3 million). Total capital expenditure was $8.9 million (2021: $31.6 million), with the decrease following large amounts of spend related to one-off IT software programmes and armor development in the prior year.

Dividends and purchase of own shares were $25.8 million (2021: $16.4 million) reflecting the share buyback programme started in January and paused in May.

Cash flows from continuing operations before exceptional items as a percentage of adjusted EBITDA (cash conversion) was 142.7% (2021: 83.2%) reflecting improved working capital management.

Net debt was $68.0 million (2021: net debt $55.9 million), which includes lease liabilities of $23.8 million (2021: $29.1 million). Excluding lease liabilities, net debt was $44.2 million (2021: net debt $26.8 million). The increase in net debt is principally due to the share buyback programme and accelerated pension plan payments to lock in benefits following the increase in bond yields.

During the period we exercised our option to extend the maturity of $142 million from the total $200 million revolving credit facility (RCF) to 8 September 2025. The remaining $58 million matures on 8 September 2024, subject to a one-year extension option to 8 September 2025. As at 1 October 2022 $53.7 million of the RCF was drawn.

The RCF is subject to financial covenants measured on a biannual basis. These include a limit of 3.0 times for the ratio of net debt, excluding lease liabilities, to adjusted EBITDA (leverage). The Group complied with all financial covenants during the current and prior financial periods.

In addition to the RCF our U.S. operations have access to a $5.0 million overdraft facility.

Armor update

Following January's announcement regarding the decision to wind down the armor business, the following tables summarise the contribution of the armor business to the Group's financial statements for 2022.

Armor	2022 $m	2021 $m
Orders received	$12.2	$1.7
Closing order book	$30.4	$26.6
Revenue	$8.4	$6.5

2022 adjusted	Armor $m	Respiratory & head $m	Total $m
Orders received	12.2	267.9	280.1
Closing order book	30.4	120.9	151.3
Revenue	8.4	263.5	271.9
Adjusted EBITDA	(13.3)	38.8	25.5
Adjusted EBITDA margin	(158.3)%	14.7%	9.4%
Adjusted operating (loss)/profit	(13.3)	23.4	10.1

2022 adjustments	Armor $m	Respiratory & head $m	Total $m
Revenue	—	—	—
EBITDA[1]	0.4	(1.6)	(1.2)
Operating profit/(loss)[1]	0.2	(12.4)	(12.2)

2022 total	Armor $m	Respiratory & head $m	Total $m
Revenue	8.4	263.5	271.9
EBITDA	(12.9)	37.2	24.3
Operating profit/(loss)	(13.1)	11.0	(2.1)

1 Armor operating loss adjustments totalling a credit of $0.2 million comprise a gain of $3.9 million to reduce the provision for contingent consideration payable to 3M, less $1.6 million armor inventory provisions, $0.6 million transaction costs, $0.2 million non-current asset impairments and $1.3 million armor specific restructuring costs.

Defined benefit pension scheme

The Group operated a contributory defined benefit plan to provide pension and death benefits for the employees of Avon Protection plc and its Group undertakings in the U.K. employed prior to 31 January 2003. The plan was closed to future accrual of benefit on 1 October 2009 and has a weighted average maturity of approximately 12 years. The net pension liability for the scheme amounted to $6.3 million as at 1 October 2022 (2021: $68.3 million). The reduction is due to a higher discount rate being applied to pension liabilities, partially offset by a fall in plan asset values.

During the period the Group made payments to the plan of $8.5 million (2021: $2.9 million) in respect of scheme expenses and deficit recovery plan payments, including a $4.0 million prepayment covering all contributions due in FY23. In accordance with the deficit recovery plan agreed following the 31 March 2019 actuarial valuation, the Group will make payments in FY24 of $4.3 million in respect of deficit recovery and scheme expenses. These payments are subject to review following the March 2022 actuarial valuation which will be finalised in 2023.

Plan assets include Liability Driven Investments (LDI) of $54.4 million (2021: $122.9 million), which are held to manage funding risk. The fall in LDI valuation reflects increases in government bond yields through 2022.

The Group is in close contact with the trustees of the scheme to monitor cash liquidity risk in the context of recent market volatility, including collateral requirements for the LDI. To the date of this report, the scheme has covered all LDI collateral requirements.

STRATEGY IN ACTION
GROWING THE CORE

SUPPORTING REQUIREMENTS FOR THE MILITARY DIVER

Military diving operations are a critical component of delivering underwater assets in modern maritime forces. Today's military and special forces divers are required to undertake a wider range of tasks within a single mission. This has led to requirements from leading militaries for diving apparatus that enables divers to complete missions that are longer, deeper and more complicated than ever before.

The MCM100 is a configurable platform that offers a step change in meeting underwater breathing apparatus operability requirements. It is a fully closed circuit, electronically controlled, mixed gas rebreather, CE tested to 100m and suitable for a large range of tactical diving disciplines including shallow or deep Mine Counter Measure, Explosive Ordnance Disposal, Mine Investigation and Exploitation and Special Operations Forces underwater vehicle use.

The system's critical advantage lies in its advanced electronics architecture. With multiple redundancy electronics, it features advanced digital oxygen sensors and has a moisture tolerant digital carbon dioxide sensor. This combined with data acquisition facility with Bluetooth capability, and a backlit colour handset with automated pre-dive and command-based alarms enables missions of greater duration than traditional systems at extreme work rates and depths.

"We are leading the world in military diving rebreathers with the MCM100, as illustrated by its selection by major defence forces," said Kevin Gurr, Underwater Systems Director for Avon Protection. "The military diving mission is evolving, and legacy systems simply do not provide the capability required going forward. The MCM100 is a step change in technology and safety, and its modular design is developed to ensure operational readiness is maintained whilst reducing the through life cost to militaries."

Foreign exchange and interest rate risk management

The Group is exposed to translational foreign exchange risk arising when the results of sterling denominated companies are consolidated into the Group presentational currency, U.S. dollars. Group policy is not to hedge translational foreign exchange risk. Due to the translational effect, a one-cent increase in the value of the U.S. dollar against sterling would have decreased revenue by approximately $0.2 million and increased operating profit by approximately $0.2 million.

RCF borrowings are floating rate priced using the U.S. Secured Overnight Financing Rate (SOFR). In 2022 the Group has implemented a new hedging policy using interest rate swaps to fix a portion of SOFR floating rate interest. The notional value of interest rate swaps at 1 October 2022 was $30.0 million (2021: $nil), expiring on 8 September 2025 in line with the RCF. The financial value of interest rate swaps at 1 October 2022 was a $0.5m (2021: $nil), an asset position as hedged fixed rates are lower than current market forecasts for SOFR.

Dividends

The Board is recommending a final dividend of 30.6 cents per share (2021: 30.6 cents) which together with the 14.3 cents per share interim dividend, gives a total dividend of 44.9 cents (2021: 44.9 cents), consistent with last year. The final dividend will be paid in pounds sterling on 10 March 2023 to shareholders on the register at 10 February 2023 with an ex-dividend date of 9 February 2023. The final dividend will be converted into pounds sterling for payment at the prevailing exchange rate which will be announced prior to payment.

The recommended dividend results in an adjusted cover ratio of 0.5 times (2021: 1.3 times). On a statutory continuing basis, the ratio was a deficit of 0.4 times (2021: deficit of 1.8 times). In recommending this year's final dividend, the Board has taken into account its expectations that the adjusted cover ratio will improve in the 2023 financial period.

Our policy is to grow dividends in line with adjusted earnings growth. Given the decline in earnings over the last two years, we would not seek to grow dividends further ahead of an increase in dividend cover.

HOW WE IDENTIFY AND MANAGE RISK

We have completed a full year of managing risks using our enhanced risk management process and have begun to integrate climate-related risks and opportunities into our process for review.

RISK MANAGEMENT FRAMEWORK

Implementation and compliance responsibility

BOARD OF DIRECTORS

Responsible for the Group's risk framework and ensuring the risk management process is robust and continuously improved

AUDIT COMMITTEE

Responsible for monitoring and reviewing the effectiveness of the Group risk framework, including the integration of climate-related risks

RISK COMMITTEE

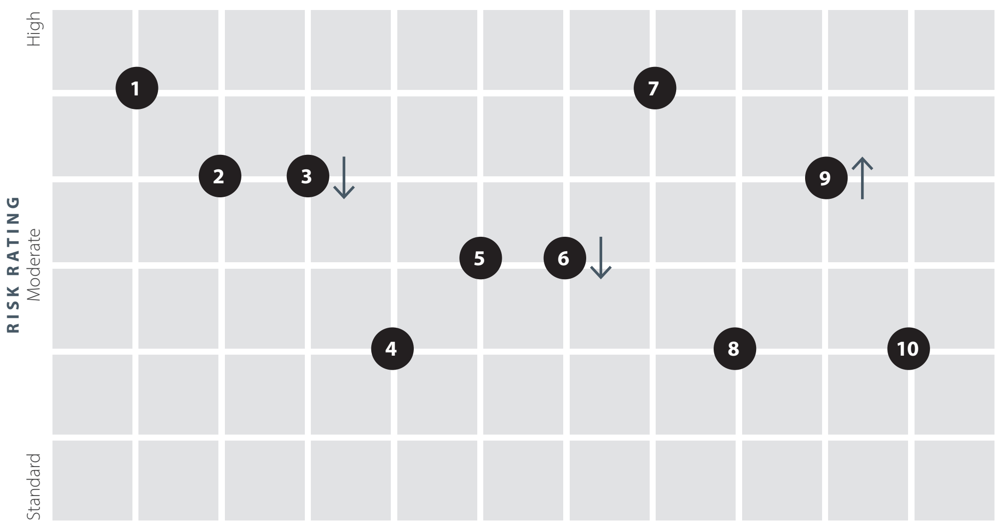
Conducts a second line of assurance assessment of those net risks highlighted by the business units (and challenges if necessary) and maintains the Group risk register. Proposes risk management methodology

BUSINESS UNITS

Each business unit has its own risk register. Senior leaders provide an update to the Risk Committee on a six-monthly basis. They are responsible for the implementation of Group risk management at the operational level

Risk identification and reporting responsibilities

2022 RISK RATING AND MOVEMENT



1. Project delivery and new product introduction risk
2. Market threat to core business
3. Talent management
4. Cybersecurity and information technology
5. Customer dependency
6. Financial management
7. Manufacturing risk
8. Compliance and legal matters
9. Political and economic stability
10. Sustainability risk

Directional arrows indicate whether the risk rating has increased or decreased over the year.

APPROACH TO ASSESSING CLIMATE-RELATED RISKS AND OPPORTUNITIES

As part of meeting TCFD, the expectation is that companies use scenario analysis on an iterative basis and over time to test the resilience of the Company's strategy by challenging the usual way of thinking, to identify opportunities and areas where businesses may be exposed to climate-related risks.

As a first step it was decided that a qualitative assessment was appropriate and two possible climate scenarios were analysed:

- a below 2°C scenario outlining a rapid system transition with significant annual GHG emission reductions required for a low carbon economy; and
- a 4°C scenario where no additional action is taken to address climate change.

The scenario analysis used information from various reference scenarios such as the Representative Concentration Pathways (RCPs) and other relevant research to better understand how climate-related risks and opportunities could impact businesses operations. Senior leaders from across the business were also consulted as part of this process.

Under TCFD there are two main categories of risk associated with climate change (transitional and physical) which can also produce some opportunities. We have identified these through the exploration of these two climate scenarios in addition to other work undertaken in the year, such as the review of our material sustainability themes and progress made towards our Net Zero Plan.

Transitional

Policy & Legal

- Fossil fuel transition
- Carbon taxation
- Regulation
- Disclosure burden
- Climate change litigation

Technology

- Shift to low carbon technologies/ recyclable products

Market and Reputation

- Climate change damages the reputation of the defence sector
- Changing customer requirements

Physical

Operations

- Extreme weather events disrupt operations
- Changing equipment design requirements

Supply Chain

- Increased disruption
- Increased costs and price volatility

Under both scenarios we will face climate-related financial risks and opportunities. Under the 2°C scenario, the transitional risks are likely to be more significant with the focus on the shift to low emissions technologies and energy efficiency projects. Under the 4°C scenario the impact of physical risks on the business are likely to be higher.

We recognise we are just starting and that as we gain more experience we will start to develop quantitative information to illustrate potential pathways and outcomes.

Our approach

Having made a number of improvements to our Group risk management process last year it was important to embed these during the year. Each business unit has continued to provide updates to the Risk Committee on a six-monthly basis which has allowed a full year of risk capture and trend analysis.

The method for measuring likelihood and impact by each business unit involves bespoke impact assessment measures based on financial indicators and other impacts relative to the size of the business unit. The Risk Committee conducts a second line of assurance and manages the Group risk register which combines the results of the business unit registers. The risks which are considered to be higher than the Group's tolerance level when assessed individually or as a collective are highlighted to the Audit Committee. These most significant risks and mitigation plans are regularly reviewed and the Risk Committee assesses whether key controls are effective and risks mitigated to an acceptable level.

The Risk Committee has continued with the process of annually reviewing and categorising the principal risks affecting the Group to ensure they remain current and this year sustainability was added as a principal risk to encapsulate climate-related risks and opportunities alongside other new risks forming in the sustainability space.

During the year we have increased our understanding of climate-related risks to the business having developed our first qualitative climate scenario narrative with the help of a sustainability consultant. We have undertaken our first review with business units and, as a consequence of viewing our business through these two contrasting scenarios, we have identified new risks and opportunities. This first review did not highlight any climate-related risks or opportunities that could impact the business in the year ahead. Our approach to identifying and managing climate-related risks will be refined as we mature over time.

Further enhancements to the risk management process have been identified but not yet implemented. These include aligning the process with the detailed financial modelling of risk which will support our TCFD disclosure. The Audit Committee has also recognised that recruiting a dedicated risk and assurance lead role would further support a clear, independent second line to drive the risk management and internal audit agenda.

Principal risks

The risk rating graphic summarises the Group's principal risks for 2022 and going into financial year 2023 by significance and their directional trend during the year, alongside the newly added sustainability risk. The graphic has been populated by reference to the net risk assessment during the year. The following pages show the categorised risk themes within the principal risk areas and their mitigations. We have also highlighted where risks have the potential to impact our strategy and sustainability agenda.

Emerging risks

Emerging risks are captured at the six-monthly updates through discussions with business unit leaders. These are included in the regular reviews by the Audit Committee. Emerging risks are those that are new or expected to increase through increased likelihood or impact to the business.

The Risk Committee has identified the emerging risks expected to generate increased risk across the Group in the coming year. The most prominent are summarised below:

- The Ukraine conflict has the potential to increase competition/new market entrants due to the limited surge capacity amongst the existing industrial supply base
- The risk around integrating the successful Team Wendy business into the Avon Protection family without damaging the brand or causing confusion in commercial markets
- Limited ability to address sole source dependencies for respiratory raw material and components without re-engineering and reapproving products
- Risk of reductions in U.S. first responder customer funding from the Democratic Government in FY24
- Lack of clarity of U.S. Government funding routes for development of future respiratory technology and the absence of long term U.S. DOD respirator framework contracts
- Continued U.S. DOD customer revenue dependency/concentration as the NG IHPS and ACH GEN II helmet programmes move into full production
- Limited ability to flow through to customers input price increases and maintain profit margins under long term contracts

Sustainability was highlighted as an emerging principal risk for the business last year. Through our climate scenario work we have added a number of new risks to the register. As we embed our climate scenario process and understanding in this area we have identified some emerging climate-related risks, but these are not expected to impact the business in the year ahead:

- There is growing sustainability scrutiny and requirement for a coherent strategy, communication and action in this area which may influence employee recruitment patterns and customer purchasing habits
- Our products are inherently oil based and we face the challenge of specifying future materials for replacing these components
- We are reliant on investment in products, technology and processes to deliver our Net Zero Plan and there will be other competing demands for capex

1 PROJECT DELIVERY AND NEW PRODUCT INTRODUCTION RISK

Overall trend: No change

Link to strategy: Growing the core; Selective product development; Value enhancing acquisitions

Link to sustainability: Environmental impact; Sustainable supply chains

Business risk
- Failure to identify correct strategic projects or to deliver them
- Failure to identify and implement new products
- Failure to identify, complete and integrate acquisitions

Impact on
- Strategy delivery
- Sales, costs and profitability
- Employee morale

What happened in 2022
- First delivery order received for the NG IHPS
- Continued delivering new product programmes to meet customer requirements within capex budget
- Quarterly strategy review process to embed and align strategy across the organisation
- Wider integration of Team Wendy and development of Team Wendy liners with NG IHPS helmet
- Development of our sustainability agenda, in particular the environmental initiatives that will result in delivery of our net zero target
- Decision to wind down the armor business following VTP ESAPI FAT failure

Mitigation
- Board oversight of clear strategy definition and communication combined with effective management
- Product development linked to Group strategy and customer requirements
- Well resourced product development and programme management teams
- Clear acquisition strategy and alignment with divisional structures
- Well-resourced acquisition team with appropriate external advisors retained

Focus for 2023
- NG IHPS volume manufacturing
- ACH GEN II FAT approval and initial production
- Continue delivering new product programmes to meet customer requirements within capex budget
- Revisit strategy under new leadership team
- Consideration of new technology strategies for U.S. DOD respirator products
- Continued commercial integration of Team Wendy and approval of Team Wendy liners with NG IHPS helmet
- Further investment in programme management office to oversee programme delivery
- Define detailed sustainability agenda, in particular the future environmental initiatives that will result in delivery of our net zero target

2 MARKET THREAT TO CORE BUSINESS

Overall trend: No change

Link to strategy: Growing the core; Selective product development; Value enhancing acquisitions

Link to sustainability: Sustainable supply chains

Business risk
- Lack of sales growth/ threat to current sales
- Loss of major bids/tenders
- Threat from competitors

Impact on
- Sales and profitability
- Strategy delivery

What happened in 2022
- Maximised NATO framework contract opportunities and considered technology transfer strategy for customers who require indigenous production
- Bid for major military opportunities, e.g. further DOD helmet opportunities
- Aligned helmet portfolio for U.K. and International market
- Focused on continuing to grow our market share with our international and first responder customers

Mitigation
- Customer relationships prioritised and managed through dedicated leadership channels
- Product differentiation/ innovation/diversification and protection of intellectual property
- Diversified sales channels with comprehensive distribution/ intermediary network
- Effective and up-to-date competitor monitoring and analysis to maintain competitive advantage
- Long-term sole source programmes of record
- Coherent and targeted pricing strategies

Focus for 2023
- Focus on continuing to grow our market share with our international and first responder customers
- Expand international sales presence/footprint
- NSPA boots and gloves proposal
- Pricing strategies to maximise win rate while passing on input cost increases where possible

Key

Trend
- No change
- Increasing
- Decreasing

Strategy
- Growing the core
- Selective product development
- Value enhancing acquisitions

Sustainability
- Environmental impact
- Sustainable supply chains
- Cybersecurity and data protection
- Employee-centric approach

3 TALENT MANAGEMENT

Overall trend

Link to strategy

Link to sustainability

Business risk
- Inability to recruit and retain talent
- Poor employee competence and failure to train and develop
- Dysfunctional organisational structures

Impact on
- Strategy delivery
- Sales, costs and profitability
- Employee morale

What happened in 2022
- Commenced implementation of new HR system to automate/improve processes
- Commercial review of indirect staff pay and benefits to support recruitment and retention
- Held flagship talent development programme after hiatus last year due to COVID-19
- Managed disruption arising from the implementation of the U.S. vaccine mandate
- Continued high degree of focus on safety practices across sites
- Continued focus on people, culture and prioritisation of actioning employee feedback, aligned with sustainability agenda
- Continued focus on employee safety measures against COVID-19

Mitigation
- Robust succession planning and effective performance management process
- Effective training and development strategy and activities
- Appropriate organisational structure with clear lines of authority and communication
- Maintaining positive Avon Protection culture – Great Place to Work
- Well invested and structured HR team

Focus for 2023
- Complete implementation of new HR system
- Complete pay and benefits review
- Review annual bonus scheme structure including production worker incentive schemes
- Launch annual Employee Opinion Survey following hiatus during COVID-19 lockdown
- Heightened focus on succession plans for key roles

4 CYBERSECURITY AND INFORMATION TECHNOLOGY

Overall trend

Link to strategy

Link to sustainability

Business risk
- Business interruption/cash cost of cyber crime and fraud
- IT system or communications failure could lead to business continuity event
- Military security requirements result in excess cost and management time
- Failure to comply results in loss of contract

Impact on
- Ability to ship products
- Financial loss
- Reputational damage

What happened in 2022
- Commenced implementation of new HR system
- Improved reporting in the ballistic protection business
- Implemented business intelligence and master data management strategy
- Continued investment in cybersecurity and CMMC 2.0
- Implementation of a new CRM system was put on hold
- Change in ERP strategy

Mitigation
- IT strategy anticipates forthcoming requirements
- IT sufficiently resourced with specialists to ensure compliance
- Robust network/IT controls and security protocols/policy
- Cyber insurance and IT disaster recovery plan and backup

Focus for 2023
- Implement standalone ERP system for Team Wendy
- Continue investment in cybersecurity and CMMC 2.0 compliance
- Continue to support the implementation of new HR system
- Implementation of cybersecurity response plan and information security policies
- Support continuous improvement in business systems and reporting

5 CUSTOMER DEPENDENCY

Overall trend: No change

Link to strategy: Growing the core; Selective product development; Value enhancing acquisitions

Link to sustainability: Sustainable supply chains

Business risk

- Over-reliance on customers, e.g. the U.S. DOD, and its funding and contract process
- Failure to diversify customer base

Impact on

- Sales and profitability

What happened in 2022

- Continued to manage the challenge of having the U.S. DOD as our main customer
- Focused on executing first responder and military strategy in EMEA and major contract wins
- U.S. DOD M50 stocking programme/technology insertion strategy
- Consolidated relationship/future bids with U.K. MOD
- Maximised opportunity to engage with NATO countries under NATO framework contract

Mitigation

- Strong customer relationship management with an appropriate team structure, communication and customer service
- Understanding our military customer requirements and forthcoming procurement requirements
- Strategy provides for diversification of customer base with particular focus on Rest of World and first responder customers

Focus for 2023

- Improved engagement with the U.S. DOD on helmet supply
- Expand position with NATO through further proposals
- Implement international strategies including the Middle East through in-country resource
- Deliver international sales of MCM100 underwater rebreather
- Revisit strategy for diversification under new leadership

6 FINANCIAL MANAGEMENT

Overall trend: Decreasing

Link to strategy: Growing the core; Selective product development; Value enhancing acquisitions

Link to sustainability: Environmental impact; Employee-centric approach

Business risk

- Insufficient management of risks related to tax, cash flows, interest and foreign currency exposure
- Insufficient funding capacity to meet strategic objectives
- Insufficient overhead control and working capital management erode margins or impair investment ability
- Poor quality financial reporting and business information impact decision making

Impact on

- Costs and profitability
- Reputational damage

What happened in 2022

- Improved business information and decision making (capex, opex, inventory and working capital)
- New investment committee established to review and approve capital investments aligned with strategic priorities
- Implementation of a new hedging policy using interest rate swaps to fix a portion of floating rate interest

Mitigation

- Robust and professional corporate finance function sufficiently well resourced and supported by network of professional advisors
- Full compliance with bank facility covenant requirements
- Improving internal financial control and reporting procedures supported by the external and internal audit process
- Effective foreign exchange and interest rate risk monitoring and management

Focus for 2023

- Continuous improvement in business information recording and reporting, and decision making (manufacturing variances, capex)
- Launch revised approval process for capital expenditure and tracking
- Review and continue to improve internal control procedures

Key

Trend
- No change
- Increasing
- Decreasing

Strategy
- Growing the core
- Selective product development
- Value enhancing acquisitions

Sustainability
- Environmental impact
- Sustainable supply chains
- Cybersecurity and data protection
- Employee-centric approach

7 MANUFACTURING RISK

Overall trend | Link to strategy | Link to sustainability

Business risk

- Shocks to the global supply chain impact our ability to source key materials and the cost of manufacturing
- Quality control process failure leads to product failures or recall
- Environmental or health and safety incident results in plant closure and prosecution/fines
- Poorly managed distribution or logistics network impacts delivery and reputation
- Delays in new product introductions

Impact on

- Sales, costs and profitability

What happened in 2022

- Leveraged U.K. facility Manufacturing Licence Agreement to increase 50 series production and reduce reliance on Cadillac facility
- Reviewed supply chain risk mitigation plan robustness, defined additional sources for key raw materials and components, increased sourcing resource, and addressed areas of supply chain weakness that have developed through the COVID-19 pandemic
- Launched integrated business planning process project
- First delivery order received for the NG IHPS
- Renewed focus on business continuity planning for our facilities, including focus on environmental/climate risks
- Created sustainability agenda across all sites to bring the U.S. sites up to the same standard as the U.K.
- DLA ESAPI FAT approval and managed exit plan from armor business

Mitigation

- Robust supplier audit and quality management
- Written supply agreements in place including dual source where necessary
- Robust manufacturing/ operational disciplines and fully functioning and effective systems
- Strong site leadership and engaged, motivated manufacturing workforce
- Insurance and effective business continuity planning
- Prioritisation of workforce safety and wellbeing through the COVID-19 pandemic

Focus for 2023

- Continuation and delivery of integrated business planning tool under SIOP project launched in 2022
- Development of sustainability strategy at site level
- Implementation of managed exit from the armor business including closure of the Lexington site
- Implement standalone ERP system for Team Wendy
- Investment in helmet and respirator production capacity/flexibility
- Continued focus on recording supply chain risk and sole source dependencies

8 COMPLIANCE AND LEGAL MATTERS

Overall trend | Link to strategy | Link to sustainability

Business risk

- Failure to comply with export controls slows or removes ability to ship abroad
- Prosecution, fines and negative publicity resulting from bribery and corruption
- Litigation increases cost and management time, negatively impacting other areas
- Failure to comply with government contract obligations results in loss of contract

Impact on

- Ability to ship products
- Financial loss
- Reputational damage

What happened in 2022

- Deloitte FY22 internal audit work programme
- Programme of compliance training under new compliance brand with a relaunch of our Code of Conduct, redefined Information Classification Policy and cybersecurity training
- Clean U.K. export control audit

Mitigation

- Effective export control policy supported by training
- Effective anti-bribery and corruption policy supported by training
- Embedded and effective Code of Conduct
- Effective internal legal and finance function
- Effective government contract specialist knowledge reporting at a senior level

Focus for 2023

- Deloitte FY23 internal audit work programme
- Revised and updated internal control policies
- Implement 2023 internal compliance training programme

9 POLITICAL AND ECONOMIC STABILITY

Overall trend: Increasing

Link to strategy

Link to sustainability

Business risk

- Unpredictable timing/amount of federal funding for first responder customers
- U.S. DOD budgets/funding withdrawn
- Macro events trigger negative impacts on: trade, regulation, people, contracts and intellectual property

Impact on

- Sales and profitability
- Ability to ship products
- Financial loss
- Reputational damage

What happened in 2022

- Managed ongoing impact of COVID-19 on U.S. DOD processes
- Recruited additional supply chain/sourcing resource to manage disruption to supply chain
- Focused on mitigating potential labour shortage risk due to U.S. vaccine mandate and tight U.S. labour market
- Monitored and managed impact of U.S. Federal Government Continuing Resolution on U.S. DOD budget and order flow

Mitigation

- Close monitoring of federal funding and budget position
- Lobbyist/government advisors and key influencers aligned to Avon Protection's interests

Focus for 2023

- Vaccine mandate dropped for U.S. sites to support recruitment to fill vacancies
- Continued efforts to reduce sole source supplier risk on key raw materials and components
- Continued monitoring and management of impact of U.S. Federal Government Continuing Resolution on U.S. budget and order flow
- Increase stock and surge capacity to improve ability to supply urgent demand requirements from ongoing and new conflicts

10 SUSTAINABILITY

Overall trend: New

Link to strategy

Link to sustainability

Business risk

- Failure to make progress towards net zero target
- Changing customer requirements and technology innovation impact demand for our products
- Extreme weather causes disruption to our operations and supply chain

Impact on

- Reputational damage
- Sales, cost and profitability

What happened in 2022

- Engaged with employees, customers and investors to determine sustainability areas most material to our stakeholders
- Established a governance structure for overseeing sustainability matters including but not limited to climate-related risks and opportunities
- Developed our sustainability agenda
- Developed our first qualitative climate scenarios and reviewed this with senior leaders to identify climate-related risks and opportunities. This did not highlight any material risks that would impact the business in the year ahead or significantly impact assumptions used in forward looking forecasts in supporting the carrying value of assets on the balance sheet.

Mitigation

- Monitor climate-related regulations
- Maintain strong relationships with customers and technology partners
- Sufficient focus on sustainability at all levels of the business and all sites
- Agreed and deliverable Net Zero Plan

Focus for 2023

- Continue to define our sustainability agenda in particular environmental initiatives that will result in delivery of our medium-term carbon net zero targets
- Embed the sustainability agenda into the business and Sustainability Committee operating cadence
- Roll out KPIs aligned to our sustainability agenda
- Review scope 3 categories to determine the most relevant for future reporting

Key

Trend
- No change
- Increasing
- Decreasing

Strategy
- Growing the core
- Selective product development
- Value enhancing acquisitions

Sustainability
- Environmental impact
- Sustainable supply chains
- Cybersecurity and data protection
- Employee-centric approach


MOTOROLA
AVON
PROTECTION

OUR PRODUCTS ARE LIFE-SAVING DEVICES; THERE IS NO ROOM FOR ERROR. THAT IS ONE OF MY FAVORITE THINGS ABOUT BEING A PART OF THE AVON PROTECTION TEAM; WE PRODUCE LIFE-SAVING EQUIPMENT FOR THOSE THAT PROTECT US AND I GET TO MAKE SURE THAT IT MEETS THEIR REQUIREMENTS BEFORE IT LEAVES THIS BUILDING.

Dariane Dushane
Quality Auditor

GOVERNANCE

CONTENTS

A STRONG TEAM

The Board is committed to achieving high standards of governance designed to protect the long-term interests of all other stakeholders, while promoting the highest standards of integrity, transparency and accountability.

Bruce Thompson
Executive Chair

Dear Shareholder,

I am pleased to present our Corporate Governance Report. This report describes our governance structures and procedures, and summarises the work of the Board and its Committees and how the Board evaluated its effectiveness in 2022. As a Board we recognise the fundamental importance of ensuring robust governance practices are implemented and followed in order to promote the long-term sustainable success of the Company, generate value for shareholders and contribute to wider society.

Stakeholder engagement

The Board recognises its obligation to ensure effective engagement with its stakeholders, to understand their different perspectives and to ensure their interests are considered in Board discussions and decision making. While we understand the importance of balancing all stakeholder views, this year we have sought to increase the mechanisms under which we engage with and receive feedback from our employees, including additional in-person townhall meetings and site visits. Details of stakeholder engagement activities during the year are outlined on pages 38-41.

Purpose and culture

At Avon Protection, our purpose is clear – to provide trusted and innovative solutions to enable those at risk to perform their mission safely and with confidence. This underpins everything we do, including our culture and values. The Board understands the importance of its role in setting the right tone from the top and embedding it throughout the Group. In addition to the Board, the Executive Board has responsibility to ensure that the policies and behaviours set at Board level are effectively communicated and implemented throughout the Group.

Our refreshed Code of Conduct, which was approved by the Board during the year, reflects our purpose and our values, and sets out the standards of behaviour and business conduct expected from anyone working for or on behalf of the Group.

Board and Committee evaluation

During the year we completed an evaluation of the Board and its Committees. The 2022 evaluation was internally facilitated using questionnaires, led by me and the Company Secretary. It concluded that the Board, its Committees, the individual Directors and the Chair performed effectively during 2022, both individually and as a collective unit. It was noted that following the relaxation of COVID-19 restrictions, relationships between the Board and wider management team had improved significantly over the prior year. In addition, the following areas of focus were identified for 2023 and beyond: the need to review the strategy process, further development of the risk process, succession planning and the need for increased interactions between the Board and management teams. Further details can be found on page 78.

Sustainability

Given its significance, the Board decided to retain responsibility for development and oversight of our sustainability agenda directly, rather than establishing a specific Board-level committee. At the management level, we have established a Sustainability Steering Committee, chaired by Rich Cashin, our Chief Financial Officer, to lead the implementation of our agenda and impact plan. This Committee will regularly report to the Board on progress. Further details on the remit of the Sustainability Steering Committee can be found on page 43.

AS A BOARD WE RECOGNISE THE FUNDAMENTAL IMPORTANCE OF ENSURING ROBUST GOVERNANCE PRACTICES ARE IMPLEMENTED AND FOLLOWED IN ORDER TO PROMOTE THE LONG-TERM SUSTAINABLE SUCCESS OF THE COMPANY, GENERATE VALUE FOR SHAREHOLDERS AND CONTRIBUTE TO WIDER SOCIETY.

Annual General Meeting

The 2023 AGM of Avon Protection plc will be held at Hampton Park West, Semington Road, Melksham, Wiltshire SN12 6NB, at 10.30am on Friday 27 January 2023. Further details, including the resolutions to be proposed to our shareholders, can be found in the Notice of Meeting on pages 172 to 176. The result of the votes on the resolutions put forward at the AGM will be publicly announced to the stock exchange and published on our website as soon as possible following the conclusion of the meeting. I will be in attendance at the AGM and will be very happy to take any questions you may have regarding the operation of the Board during the year. We look forward to seeing you there.

Bruce Thompson
Executive Chair

22 November 2022

Compliance with the U.K. Corporate Governance Code

The Company reports against the Financial Reporting Council's (FRC) U.K. Corporate Governance Code 2018 ('the Code'), which is available at www.frc.org.uk. The Board has applied all Principles and complied with all Provisions in the Code for the year ended 30 September 2022, with the exception of Provision 38 in relation to alignment of Executive Directors' pensions with those of the wider workforce. As explained on page 74, we were in full compliance with this provision as from 1 April 2022, when Executive Director pensions were aligned with the wider workforce. Further details on how the Company applied the principles of the Code during the year can be found as follows:

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A BOARD WITH EXPERIENCE

Our business is led by our experienced Board of Directors, which focuses on developing the Group's strategy and supporting management to execute against it.

Bruce Thompson
Executive Chair

● ■

Rich Cashin
Chief Financial Officer

Chloe Ponsonby
Non-Executive Director
Senior Independent Director

■ ■ ● ▲

Bindi Foyle
Non-Executive Director

● ■ ■ ▲

Victor Chavez CBE
Non-Executive Director

■ ■ ■ ▲

Miles Ingrey-Counter
Group Counsel and
Company Secretary

Board membership key

- ■ Audit Committee
- ■ Nomination Committee
- ■ Remuneration Committee
- ● Chair
- ▲ Independent Director

Bruce Thompson
Executive Chair

First appointed: March 2020
Appointed Chair: December 2020

Skills and experience: Bruce joined the Board in March 2020. During his executive career, Bruce was Chief Executive Officer of Diploma PLC, the FTSE 250 specialised technical products and services business, for over 20 years. Prior to joining Diploma, Bruce was a Director with the technology and management consulting firm Arthur D. Little Inc., both in the U.K. and the U.S. He is currently the Senior Independent Non-Executive Director of discoverIE Group plc.

Rich Cashin
Chief Financial Officer

First appointed: April 2022

Skills and experience: Before joining Avon Protection, Rich was President, Strategy and Corporate Development for Ultra Electronics Holdings plc from June 2019. Prior to this, he was Group Head of Investor Relations and, subsequently, a divisional Finance Director for Meggitt PLC and held a number of investment and finance roles at Rolls-Royce plc and UBS AG.

Chloe Ponsonby
Non-Executive Director
Senior Independent Director

First appointed: March 2016

Skills and experience: Chloe has spent her 20-year career in financial services, first in equity fund management at Jupiter, and then in investment banking at Altium and Oriel Securities (now owned by Stifel) and currently at Panmure Gordon where she is a Managing Director in investment banking. She is a Chartered Financial Analyst and has a first class Economics degree from the University of Manchester.

Bindi Foyle
Non-Executive Director

First appointed: May 2020

Skills and experience: Bindi has been Group Finance Director of Senior plc, a manufacturer for the aerospace, defence, land vehicle and power and energy markets, since July 2017, having served as an Executive Director since May 2017. Bindi joined Senior in 2006 as Group Financial Controller before becoming Director of Investor Relations and Corporate Communications in 2014. Prior to joining Senior, she held senior finance roles at Amersham plc and General Electric, having previously worked with BDO Stoy Hayward.

Victor Chavez CBE
Non-Executive Director

First appointed: December 2020

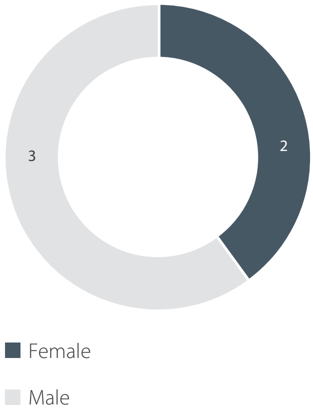
Skills and experience: Victor has over 30 years of experience in the defence and security sectors. His early career focused on telecommunications and software before joining Thales U.K. in 1999. He was appointed Chief Executive in 2011, retiring in 2020 having successfully integrated and grown the business during this period. In recognition of his services to defence and security for the U.K. and France, Victor was appointed a CBE in 2015 and a Chevalier of the Légion d'Honneur in 2020.

Miles Ingrey-Counter
Group Counsel and
Company Secretary

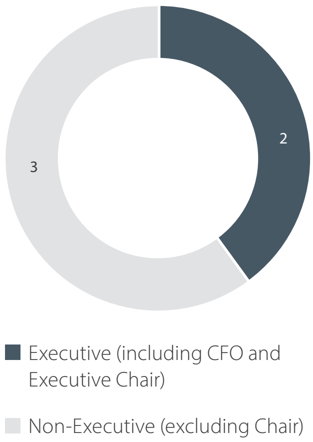
First appointed: October 2007

Skills and experience: Miles is a qualified solicitor; he joined the Group in January 2004 and has been a member of the Executive Board since 2008. Miles also has responsibility for all Group HR matters and is Chair of the Retirement and Death Benefits Plan. Prior to joining Avon Protection, Miles was a solicitor with Osborne Clarke LLP.

Board gender diversity (%)



Independence (%)



GOVERNANCE

CORPORATE GOVERNANCE REPORT

Introduction

This Corporate Governance Report, along with information in the Strategic and Remuneration Reports, explains how the principles and provisions of the U.K. Corporate Governance Code 2018 ('the Code') have been applied. A copy of the Code can be found on www.frc.org.uk.

Statement of compliance with the Code

We are pleased to confirm that the Board has complied with all provisions of the Code throughout 2022, with the exception of the following:

- Provision 38: The Code stipulates that pension contribution rates for Executive Directors should be aligned with those available to the workforce. Pension contributions for new Executive Directors are aligned with the rate available to the workforce. Paul McDonald's pension was aligned with that available to the workforce from 1 April 2022 when it was reduced from 15% to 7.5%, to coincide with the appointment of Rich Cashin as Chief Financial Officer.

Board leadership

Bruce Thompson, who was previously the Non-Executive Chair, was appointed Executive Chair with effect from 1 October 2022 until our new Chief Executive Officer is in place. The Board therefore currently comprises the Executive Chair, the Chief Financial Officer, who is an Executive Director, and three Non-Executive Directors. On 17 October it was announced that Jos Sclater would join the Board as Chief Executive Officer, with effect from 16 January 2023, following which Bruce will step down as Executive Chair and resume his role as Chair of the Board. Further details about the appointment of the new Chief Executive Officer are disclosed on page 81. The Board regularly reviews its composition to ensure it has the necessary breadth and depth of skills to support the development of the Group. We believe that the Board continues to have a strong mix of experienced individuals who provide a unique perspective on Company matters and bring specific skills to the Board.

Biographical details for each member of the Board can be found on pages 74 and 75 of this Annual Report. All Directors will stand for re-appointment by shareholders at the 2023 AGM.

Company purpose

The Company purpose is stated on page 2. The Board recognises its role in establishing the purpose, values and strategy of the Group and ensuring that these are embedded throughout the business. Our purpose unites us, guides our decisions and inspires us wherever we operate.

Our culture

The Board clearly recognises the importance of culture and its link to delivering our purpose and strategy. Assessing and monitoring our culture is important to ensure we retain a successful culture as we grow. Through our employee engagement initiatives, explained in more detail on page 38, the Board has sought to achieve greater engagement with the workforce. The Board considers the most effective way of achieving this engagement is via a Global Employee Advisory Forum, which was established last year.

Division of responsibilities

Throughout the financial year until 30 September 2022, there was a clear division of responsibility between the running of the Board by the Chair and the running of the Group's business by the Chief Executive Officer. For an interim period from 1 October 2022 until Jos Sclater joins the Board as Chief Executive Officer on 16 January 2023, the Chair has been appointed Executive Chair.

The Chair is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chief Executive Officer manages the Group and has the primary role, with the assistance of the Board, of developing and implementing business strategy. The Chair ensures that meetings of Non-Executive Directors take place without the Executive Directors present. Whilst the Chair is performing the role of Executive Chair, the Senior Independent Director assists with these responsibilities.

Rules concerning the appointment and replacement of Directors of the Company are contained in the Articles of Association. Amendments to the Articles must be approved by a special resolution of shareholders. One of the roles of the Non-Executive Directors, under the leadership of the Chair, is to undertake detailed examination and discussion of strategies proposed by the Executive Directors, so as to ensure that decisions are made in the best long-term interests of shareholders and take proper account of the interests of the Group's other stakeholders.

The Non-Executive Directors are appointed by the Board on terms which allow for termination on three months' notice. Copies of Executive Directors' service contracts and terms and conditions of appointment for Non-Executive Directors are available for inspection at the registered office.

How the Board operates

The Chair ensures, through the Company Secretary, that the Board agenda and all relevant information are provided sufficiently in advance of meetings and that adequate time is available for discussion of all agenda items, in particular strategic issues. The Chief Executive Officer and the Company Secretary discuss the agenda ahead of every meeting. At meetings, the Chair ensures that all Directors are able to make an effective contribution and every Director is encouraged to participate and provide opinions on each agenda item. The Chair always seeks to achieve unanimous decisions of the Board following due discussion of agenda items.

The Non-Executive Directors fully review the Group's operational performance and the Board as a whole has, with a view to reinforcing its oversight and control, reserved a list of powers solely to itself which are not to be delegated to management.

This list includes appropriate strategic, financial, organisational and compliance issues, including the approval of high-level announcements, circulars, the Annual Report and Accounts and certain strategic and management issues, which include:

- approval of the annual operating budget and the three-year strategic plan;
- the extension of the Group's activities into new areas of business and/or geographical areas (or their cessation);
- changes to the corporate or capital structure;
- financial issues, including changes in accounting policy, the approval of dividends, bank facilities and guarantees;
- changes to the constitution of the Board;
- the approval of significant contracts, for example the acquisition or disposal of assets worth more than £1,000,000 or the exposure of the Company or the Group to a risk greater than £1,000,000;
- the approval of unbudgeted capital expenditure;
- the approval of quotations and sales contracts where the sales commission payable to an intermediary exceeds 10% of the net invoice price; and
- consideration and approval of all proposed acquisitions and mergers.

Each Director has full and timely access to all relevant information and the Board meets regularly with appropriate contact between meetings. All Directors receive a tailored induction to the Group from the Company Secretary on joining the Board. When appointed, Non-Executive Directors are made aware of and acknowledge their ability to meet the time commitments necessary to fulfil their Board and Committee duties. Procedures are in place, which have been agreed by the Board, for Directors, where necessary in the furtherance of their duties, to take independent professional advice at the Company's expense and all Directors have access to the Company Secretary.

The Company Secretary is responsible to the Board for ensuring that all Board procedures and governance requirements are complied with. The removal of the Company Secretary is a decision for the Board as a whole.

Committees of the Board

Of particular importance in a governance context are the three Committees of the Board, namely the Remuneration Committee, the Nomination Committee and the Audit Committee. Each Committee operates under clear terms of reference, copies of which are available on our website. Details of the operation of each Committee are provided within the relevant Committee report.

Bindi Foyle is Chair of the Audit Committee. The Board is satisfied that Bindi has recent relevant financial experience and her profile appears on page 75.

Bruce Thompson is Chair of the Nomination Committee but, in accordance with the Committee's terms of reference, is not permitted to chair meetings when the Committee is dealing with matters relating to the Board Chair's position.

Chloe Ponsonby is Chair of the Remuneration Committee. The Remuneration Committee's principal responsibilities are to decide on remuneration policy on behalf of the Board and to determine remuneration packages and other terms and conditions of employment, including appropriate performance-related benefits for the Executive Directors and other senior executives. The Remuneration Committee also has regard to the remuneration of the wider workforce. More details of the activities of the Remuneration Committee are set out in the Remuneration Report on pages 86 to 105.

Composition, succession and evaluation

The Nomination Committee is responsible for leading the process for Board appointments and making recommendations to the Board, putting in place plans for succession and regularly reviewing the Board's structure, size and composition. The Committee takes into account the challenges and opportunities facing the Group and the skills, knowledge and experience needed by the Board and makes recommendations to the Board with regard to any changes. Further information and the activities of the Nomination Committee during the year are detailed on page 81.

Attendance at meetings

All Committee and Board meetings held in the year were quorate. Directors' attendance during the year ended 30 September 2022 was as follows:

	Board (7 scheduled and 2 ad hoc meetings)	**Audit Committee (4 scheduled meetings)**	**Remuneration Committee (4 scheduled)**	**Nomination Committee (2 scheduled)**
Bruce Thompson	9 (9)	4 (4)	4 (4)	2 (2)
Bindi Foyle	9 (9)	4 (4)	4 (4)	2 (2)
Chloe Ponsonby	9 (9)	4 (4)	4 (4)	2 (2)
Victor Chavez	9 (9)	4 (4)	4 (4)	2 (2)
Paul McDonald	9 (9)	–	–	–
Nick Keveth[1]	5 (5)	–	–	–
Rich Cashin[2]	4 (4)	–	–	–

The maximum number of meetings which each Director could have attended is shown in brackets.

1 Nick Keveth stepped down from the Board on 31 March 2022.

2 Rich Cashin was appointed to the Board on 31 March 2022.

GOVERNANCE

Performance evaluation

The Board continually strives to improve its effectiveness and conducts an annual review of its performance and that of its Committees and the individual Directors to enhance overall Board effectiveness. Given the number of changes to the Board during the year, with the appointment of Rich Cashin as Chief Financial Officer on 31 March 2022 and the announcement that Paul McDonald would step down from the Board on 30 September 2022, it was agreed that the 2022 Board evaluation process would be conducted internally using questionnaires and interviews led by the Company Secretary. Consideration will be given to the 2023 evaluation being externally facilitated.

The Board evaluation questionnaire, completed by all Board members and the Company Secretary, was structured to provide Directors with the opportunity to express views on a variety of topics including Board remit and responsibilities, skills and dynamics of the Board, meetings and content, Group strategy, internal control and risk management, decision making and communication.

A detailed discussion of the findings from the performance evaluation took place at the September 2022 Board meeting. Overall, the evaluation concluded that the Board, its Committees, the individual Directors and the Chair performed effectively during 2022, both individually and as a collective unit. It was noted that following the relaxation of COVID-19 restrictions, relationships between the Board and wider management team had improved significantly over the prior year.

The following areas were identified by the Board as areas of focus for 2023 and beyond:

- review of the strategy process to maximise efficiency and effectiveness;
- further development of the risk management process to ensure sufficient integration into the operational side of the business;
- continuing focus of the Nomination Committee on succession planning; and
- increased interactions between the Board and management teams outside of scheduled monthly meetings.

Audit, risk and internal control

The Board has an established framework of internal controls covering both financial and non-financial controls. In addition, there is a process for identifying, evaluating and managing significant business risks, including emerging risks, faced by the Group. This process was in place throughout the 2022 financial year.

The Code requires that Directors establish procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.

The Board, through the Audit Committee, reviews the effectiveness of the Group's system of internal controls on a continuing basis. The scope of this review covers all controls including financial, operational and compliance controls, as well as risk management. The Audit Committee has responsibility to review, monitor and make policy recommendations to the Board upon all such matters.

The Audit Committee keeps this system under continuous review and formally considers its content and its effectiveness on an annual basis. Such a system can provide only reasonable, and not absolute, assurance against material misstatements or losses. The section on internal control in the Audit Committee Report on page 84 and the following paragraphs describe relevant key procedures within the Group's systems of internal control and the process by which the Directors have reviewed their effectiveness.

Systems exist throughout the Group which provide for the creation of three-year plans and annual budgets; monthly reports enable the Board to compare performance against budget and to take action where appropriate. Procedures are in place to identify all major and emerging business risks and to evaluate their potential impact on the Group. These risks are described within the Strategic Report on pages 62 to 69.

Risk management

Risk is managed by the Executive Board during the year, led by the Risk Committee, which is led by the Company Secretary. Various enhancements to the risk management process were implemented during the year and these are set out in more detail in the Principal Risks and Risk Management section on pages 62 to 69.

The Audit Committee carried out quarterly reviews of the key risks facing the Group and risk management activities undertaken during the year, following the risk reviews conducted by the Risk Committee with the business leadership. The Audit Committee also carried out a robust annual assessment of the major business risks and emerging risks affecting the Group, including macro risks.

Internal control

There is a clearly defined delegation of authority from the Board to the business units, with appropriate reporting lines to individual Executive Directors. There are procedures for the authorisation of capital expenditure and investment, together with procedures for post-completion appraisal.

Internal controls are in existence which provide reasonable assurance of the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. The Group finance department manages the financial reporting process to ensure that there is appropriate control and review of the financial information including the production of the consolidated annual accounts. Group finance is supported by the operational financial managers throughout the Group, who have responsibility for providing information in keeping with the policies, procedures and internal best practices as documented in the internal control manual and are accountable under these.

The Board has issued a Code of Conduct which reinforces the importance of a robust internal control framework throughout the Group. The Board recognises that an open and honest culture is key to understanding concerns within the business and to uncovering and investigating any potential wrongdoing. The Code of Conduct sets out the procedure whereby individuals may raise concerns in matters of financial reporting or any other matter of concern with management or directly with the Chair of the Audit Committee, or anonymously through our 'Speak Up' process, to ensure independent investigation and appropriate follow-up action. The Code of Conduct is reviewed annually.

Although the Board itself retains the ultimate power and authority in relation to decision making, the Audit Committee meets at least four times a year with management and the external auditor to review specific accounting, reporting and financial control matters.

This Committee also reviews the interim, preliminary and annual statements and has primary responsibility for making a recommendation on the appointment, re-appointment and removal of the external auditor.

Relations with shareholders

The Directors regard regular communications with shareholders as extremely important. All members of the Board receive copies of analysts' reports of which the Company is made aware and receive an investor relations report from the Chief Financial Officer at every Board meeting. The Board reports formally to its shareholders in a number of ways, including via regulatory news announcements, press releases, routine reporting obligations, a detailed Annual Report and Accounts and, at the half year, an interim report.

Regular dialogue takes place with institutional shareholders, including presentations after the Company's preliminary announcements of the half and full year results. The Board receives comments from analyst meetings and shareholder meetings after both interim and final results and at other times during the year. The AGM includes a presentation by the Chief Executive Officer on aspects of the Group's business and shareholders have the opportunity to both ask questions and to leave written questions with the Company Secretary for the response of the Directors. Directors also make themselves available after the AGM to talk informally to shareholders, should they wish to do so, and respond throughout the year to any correspondence from individual shareholders.

Special Security Agreement

On 8 December 2020, our U.S. subsidiary Avon Protection Ceradyne, LLC (APC) and the Company entered into a Special Security Agreement with the U.S. Department of Defense. The SSA was entered into in support of the U.S. DOD contracting and product development elements of the ballistic protection business and permits APC to perform classified U.S. defence contracts. There are a number of specific protocols that the Company and APC are required to comply with under the SSA, including the appointment to the APC Board of two independent outside U.S. Directors approved by the U.S. Government. The SSA imposes certain restrictions on the degree of influence the Company can exert over APC and it is therefore important that the Company maintains a strong relationship with the APC Board, in order to ensure that we are fulfilling our own governance obligations. A member of our Executive Board is an inside Director on the APC Board. We anticipate increased engagement with APC and the outside Directors in the coming year under the governance of the SSA to support synergy opportunities across APC's product portfolio for the benefit of our Head Protection business.

Disclosure and Transparency Rules (DTR)

Disclosures in respect of the DTR requirements under DTR 7.2.6 are given in the Directors' Report on pages 106 to 109 and have been included by reference.

Going concern

The financial statements have been prepared on a going concern basis, which the Directors believe to be appropriate for the following reasons:

The Directors have prepared a going concern assessment covering the 12-month period from the date of approval of these financial statements. The assessment indicates that the Group will have sufficient funds to meet its liabilities as they fall due for that period.

As part of their assessment, the Directors considered a base case and a severe downside scenario involving a 27% decline in bank-determined adjusted EBITDA against the base case. Even in this severe downside scenario, the assessment indicates that the Group will have sufficient funds to meet its liabilities as they fall due, and will continue to comply with its loan covenants throughout the forecast period. The Group has committed RCF facilities of $200 million (see note 5.1) and related loan covenants include a limit of 3.0 times for the ratio of net debt, excluding lease liabilities, to bank-determined adjusted EBITDA (leverage).

On this basis, the Directors are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the approval of these financial statements. Accordingly the Group and Company continue to adopt the going concern basis in preparing their financial statements.

Viability Statement

The Directors have assessed the viability of the Group over a three-year period to September 2025, taking account of the Group's current position, and the potential impact of the principal risks documented in the Strategic Report. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to September 2025.

In making this statement, the Directors have considered the resilience of the Group, taking account of its current position, the principal risks facing the business in severe but plausible downside scenarios, and the effectiveness of any mitigating actions. This assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period. In making their assessment, the Directors have taken account of the Group's RCF facility which provides financing until September 2025. The Directors have a reasonable expectation that similar financing could be obtained at the end of the current RCF facility, should this be required for continued operation or otherwise considered in the Group's best interest. During the period the Group has complied with all covenant requirements attached to its financing facilities.

The Directors consider the three-year lookout period to be the most appropriate as this aligns with the Group's own strategic planning period. The Group has developed an annual business planning process, which comprises a strategic plan, a financial forecast for the current year and a financial projection for the forthcoming three years. This plan is reviewed each year by the Board as part of its strategy setting process. Once approved by the Board, the plan provides a basis for setting all detailed financial budgets and strategic actions that are subsequently used by the Board to monitor performance. The forecast performance outlook is also used by the Remuneration Committee to establish the targets for both the annual and long-term incentive schemes.

LETTER FROM THE CHAIR

Bruce Thompson
Chair of the Nomination Committee

Attendance at Nomination Committee meetings

During the year the Nomination Committee held two scheduled meetings. Attendance of the members of the Committee is recorded in the table below:

Scheduled meetings	Attended	Eligible to attend
Bruce Thompson	2	2
Chloe Ponsonby	2	2
Bindi Foyle	2	2
Victor Chavez	2	2

The Nomination Committee comprises all the Non-Executive Directors.

Main responsibilities

The main responsibilities of the Committee are as follows:

- to regularly review the Board's structure, size and composition, taking into account the challenges and opportunities facing the Group and the skills, knowledge and experience needed by the Board and to make recommendations to the Board with regard to any change;
- to put in place and periodically review succession plans for Directors and, more generally, senior executives; and
- to lead the process for Board appointments and make recommendations to the Board.

The Committee's terms of reference are available within the Corporate Governance section of the Company's website and are reviewed annually.

All Directors are appointed by the Board following a rigorous selection process and subsequent recommendation by the Committee.

Diversity

The Board recognises the benefits of diversity and believes the Board's perspective and approach are greatly enhanced by gender, age and cultural diversity. The Nomination Committee is responsible for the Board's policy in this area. Diversity of skills, background, knowledge, international and industry experience, and gender, amongst many other factors, will be taken into consideration when seeking to appoint new Directors to the Board. Notwithstanding the foregoing, all Board appointments will always be made on merit. The Board's Diversity Policy can be found in the Corporate Governance section of the Company's website.

The Balance@Avon initiative, supported by the Committee, aims to help develop and promote our female leadership, create a forum where we can identify, nurture and develop the female leaders of the future and ensure that all women at Avon Protection thrive in their careers. The initiative is driven by a steering group which collaborates on long-term ideas to help shape the future face of Avon Protection and create an agenda and platform to help build our future female talent pipeline.

During 2022 we have supported a number of Balance@Avon initiatives, including International Women's Day and the launch of a female mentoring programme. We have achieved our minimum target of 33% female representation on the Board and continue to work to achieve the same minimum target representation for the Group Executive team and its direct reports.

Further information, including the number of women in senior management and within the organisation, is shown in the Sustainability Report on page 52.

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THE COMMITTEE REGULARLY REVIEWS THE BOARD’S STRUCTURE AND GIVES FULL CONSIDERATION TO SUCCESSION PLANNING FOR DIRECTORS AND OTHER SENIOR EXECUTIVES, TO ENSURE WE ARE BEST RESOURCED TO DELIVER THE GROUP’S STRATEGY.

Activities during 2022

During the year, the Committee:

- commenced the search for a new Chief Executive Officer to replace Paul McDonald, who stepped down from the Board on 30 September 2022;
- considered and confirmed the appointment of Rich Cashin as Chief Financial Officer following the departure of Nick Keveth on 31 March 2022;
- reviewed the composition of the Board and its succession plan;
- carried out an annual review of the Committee’s terms of reference;
- recommended re-election of the Board at the forthcoming Annual General Meeting; and
- reviewed the Board performance evaluation process.

Board changes

Nick Keveth retired as Chief Financial Officer and stood down from the Board on 31 March 2022. Rich Cashin joined the Group as Chief Financial Officer designate on 7 March 2022 and was appointed to the Board as an Executive Director on 31 March 2022. The process followed for Rich’s appointment was disclosed in last year’s report. Rich’s biography, together with those of all Board Directors, is included on page 75.

As announced to shareholders on 24 May 2022, after five years as Chief Executive Officer and 19 years with the Company, Paul McDonald stepped down from the Board as Chief Executive Officer on 30 September 2022.

The recruitment process to find Paul’s replacement commenced in May, led by me as Chair of the Committee. Independent executive search consultants Korn Ferry were retained and provided with a detailed description of the role and associated skills and experience required. Korn Ferry compiled a longlist of potential candidates based on initial interviews, from which a shortlist of candidates was selected by the Committee.

Following an extensive interview and assessment process involving all Directors, the Committee recommended Jos Sclater to the Board as its preferred candidate. The Board considered and accepted the recommendation and Jos Sclater was appointed to the Board as Chief Executive Officer with effect from 16 January 2023. When Paul stepped down from the Board as Chief Executive Officer, I was appointed interim Executive Chair while the recruitment process for his replacement. I will resume my role as Chair when Jos joins the Board on 16 January 2023.

The Committee has previously agreed that all Directors should be put forward for re-appointment by shareholders each year at the AGM. Taking into account the performance and value that each Director has brought to the Board, the Committee has considered whether the appointment of each Non-Executive and Executive Director should be renewed for a further year and has confirmed that this is indeed the case. Accordingly, resolutions to re-appoint each Director are being put to shareholders at the forthcoming AGM.

Succession planning

The Committee reviews succession planning for the Board formally at least once a year in order to ensure the Board is adequately prepared for potential changes to key Board positions. In addition, the Committee reviewed the executive leadership needs of the Group during the year and progress was made on the longer-term succession planning of the Group Executive management team and its direct reports and this will remain a priority for the coming year.

Alongside this, the Committee also retains oversight of the programmes in place to assess and facilitate talent development amongst the management teams to ensure there is a structured approach to growing, developing and retaining the Company’s future leaders. This year the Committee oversaw the running of the Group’s Professional Development Programme.

Committee evaluation

The evaluation of the effectiveness of the Committee was conducted as part of this year’s Board performance evaluation. The outcome of the 2022 Committee review was positive and highlighted the need for the Committee to retain focus on the Group strategy and risk management process. Further detail on the result of the Board evaluation exercise is included on page 78 of the Corporate Governance Report.

Bruce Thompson
Chair of the Nomination Committee

22 November 2022

LETTER FROM THE CHAIR

Bindi Foyle
Chair of the Audit Committee

Attendance at Audit Committee meetings

During the year the Audit Committee held four scheduled meetings. Attendance of the members of the Committee is recorded in the table below:

Scheduled meetings	Attended	Eligible to attend
Bruce Thompson	4	4
Chloe Ponsonby	4	4
Bindi Foyle	4	4
Victor Chavez	4	4

The Committee monitors the integrity of the Group's financial statements and supports the Board with its ongoing monitoring of the effectiveness of the Group's risk management and internal control systems.

During the year, the Audit Committee continued its key oversight role for the Board of the Group's financial management and reporting to reassure shareholders that their interests are properly protected.

The Audit Committee works to a set programme of activities, with agenda items established to coincide with the annual financial reporting calendar. The Committee reports regularly to the Board on its work.

During the 2022 financial year, the Committee has continued to monitor the integrity of the Group's financial statements and supported the Board with its ongoing monitoring of the Group's risk management and internal control systems. The Committee also determined the focus of the Group's internal audit activity, reviewed its findings, and verified that recommendations were being appropriately implemented.

In accordance with the Code, the Committee continued to have oversight of the Group's whistleblowing function, known as 'Speak Up', together with the associated policies and procedures. The Committee received regular updates on the number and types of Speak Up reports and agreed follow-up actions throughout the year from the General Counsel.

During 2022 the Audit Committee undertook a full evaluation exercise of KPMG's audit approach, to ensure the effectiveness of the external audit function. Reviewing the results of the evaluation of the external audit process, we are satisfied with both the auditor's independence and audit approach.

The Audit Committee acts on behalf of the full Board, and the matters reviewed and managed by the Committee remain the responsibility of the Directors as a whole.

Main responsibilities of the Audit Committee

The Audit Committee has delegated authority from the Board set out in its written terms of reference. The terms of reference for the Audit Committee are available for inspection at the Company's registered office and on our website.

The key objectives of the Audit Committee are:

- to provide effective governance and control over the integrity of the Group's financial reporting and review the significant financial reporting judgements;
- to support the Board with its ongoing monitoring of the effectiveness of the Group's system of internal controls and risk management systems;
- to monitor the effectiveness of the Group's internal audit function and review its material findings;
- to oversee the relationship with the external auditor and make recommendations to the Board in relation to the re-appointment of the external auditor and monitor the external auditor's objectivity and independence;
- to review the adequacy of the Company's whistleblowing arrangements and the provision of appropriate investigation of any matters raised; and
- to advise the Board on whether the Committee believes the Annual Report and Accounts, taken as a whole, is fair, balanced, and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

THE COMMITTEE MONITORS THE INTEGRITY OF THE GROUP'S FINANCIAL STATEMENTS AND SUPPORTS THE BOARD WITH ITS ONGOING MONITORING OF THE EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS.

Composition of the Audit Committee

The members of the Committee are set out on page 77 of the Corporate Governance Report. The Committee members are all independent Non-Executive Directors and have the appropriate range of financial and commercial expertise necessary to fulfil the Committee's terms of reference. The Board considers that as a serving Group Finance Director of a U.K. listed company, I have both the current and relevant financial experience required to chair this Committee.

The Committee typically invites the Board Chair to attend all Committee meetings together with the Executive Directors and the Group Financial Controller.

2022 Annual Report

The main areas of focus considered by the Committee during 2022 were as follows:

- The presentation of the financial statements and the quality and acceptability of accounting policies and practices including the presentation of adjusted performance measures and the adjusting items. The Committee reviewed papers prepared by management, challenged management's judgements and estimates, and reviewed the disclosure of adjusted items within the Group's half year and full year results, agreeing that the position taken in the financial statements is appropriate.
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements. Material areas in which significant judgements have been applied are discussed separately in more detail below.
- At the request of the Board, the Committee considered whether the 2022 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Company's position and performance, business model and strategy. Having taken account of the other information provided to the Board throughout the year, the Committee was satisfied that, taken as a whole, the Annual Report and Accounts was fair, balanced and understandable.

The Committee was content, after due challenge and debate, with the assumptions made and the judgements applied in the accounts and agreed with management's recommendations. In addition, the Committee reviewed and recommended the approval of the statements on corporate governance, internal control and risk management in the Annual Report and Accounts and the half year results announcement.

Significant judgements and estimates considered by the Audit Committee

After discussions with management and the external auditor, the Committee determined that the key risk of material misstatement of the Group's 2022 financial statements arose in the following areas:

- development costs and ongoing valuation in the financial statements; and
- estimation of the defined benefit pension obligation.

Development costs

The Group capitalises the development costs of new products and processes as intangible assets or property, plant and equipment.

Initial capitalisation and any subsequent impairment are based on management's judgement of technological and commercial viability, including regulatory approvals required and forecast customer demand. In determining the amounts to be capitalised the Group makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. If either technological or commercial viability is not demonstrated then the capitalised costs will be written off to the income statement.

The key issues reviewed in the financial year included the ongoing valuation of assets in relation to the General Service Respirator supplied to the U.K. MoD, the MCM100 underwater rebreather and the category of escape hoods. The Committee concurred with management that the carrying values as included in the 30 September 2022 balance sheet were appropriate.

The external auditor explained its audit procedures to test development costs and, based on the work undertaken, KPMG concluded the carrying values were acceptable. Further analysis and detail on the Group's development costs are set out in note 3.1 of the financial statements.

Estimation of the defined benefit pension assets and obligations

The Group operated a contributory defined benefit plan to provide pension and death benefits for the employees of its U.K. Group companies employed before 31 January 2003. The plan was closed to future accrual of benefits on 1 October 2009.

The investments held by the pension scheme include both quoted and unquoted securities, the latter of which by their nature involve assumptions and estimates to determine their fair value. Where there is no active market for the unquoted securities, the fair value of these assets is estimated by the pension trustees based on advice received from the investment manager whilst also using any available market evidence of any recent transactions for an identical asset. The assumptions used in valuing unquoted investments are affected by current market conditions and trends which could result in changes in fair value after the measurement date.

Estimation of the defined benefit pension obligation involves significant judgements concerning future changes in inflation, mortality rates, and the selection of a suitable discount rate, as well as the future performance and valuation of the scheme's assets. Changes to these actuarial judgements could have a significant impact on the estimated pension obligation.

An independent actuary is engaged to estimate the defined benefit pension obligation, undertaking a valuation of the scheme's assets and assessment of current and future pension liabilities. The Committee reviewed a report from the independent actuary on the appropriateness of the assumptions used in assessing the assets and liabilities of the scheme and agreed that the defined benefit pension obligation was being estimated appropriately with reasonable judgements being applied.

Estimation of the defined benefit pension assets and obligations continued

The external auditor applied its audit procedures to test the carrying value of the net pension obligation and, based on the work undertaken and assessment of the actuarial judgements used, reported no inconsistencies or misstatements that were material in the context of the financial statements as a whole. Further analysis and detail on the Group's defined benefit pension scheme is set out in note 6.2 of the financial statements.

External auditor

The Audit Committee considers the appointment of the external auditor each year. KPMG LLP (KPMG) was appointed as the Group's external auditor for the 2019 audit following a tender process in 2018. 2022 is KPMG's fourth year as the Group's external auditor and Andrew Campbell-Orde has acted as audit partner since KPMG's appointment.

The Committee oversees the relationship with the external auditor, and monitors all services provided by, and fees payable to it, to ensure that potential conflicts of interest are considered and that an objective and professional relationship is maintained.

In particular, the Committee reviews and monitors the independence and objectivity of the external auditor and the effectiveness of the audit process. At the outset of the annual audit process, the Committee receives a detailed audit plan from the auditor, identifying its assessment of the key risks and its intended areas of focus. This is agreed with the Committee to ensure coverage is appropriately focused.

The Committee also holds separate discussions with the external auditor without Executive management being present. In addition, I held separate meetings with the external auditor during the course of the year.

Review of the effectiveness of the external auditor

The Committee evaluates the effectiveness of the external auditor annually. This evaluation includes a review of the effectiveness of the external audit process, consideration of whether management had been adequately challenged, interaction with the Committee and quality of the audit work. The 2021 review included reports from the external auditor and management incorporating feedback against a formal assessment framework from key members of the Group's finance team and those employees who had interacted with KPMG during the audit. This report was reviewed at the Committee's meeting in March 2022. Overall feedback was positive and where opportunities for improvement were identified in respect of earlier discussion with management regarding developments and changes during the year, KPMG was asked to take account of that feedback in the planning for future audit activity. KPMG and management also undertook to work together to more clearly define the information required from management during the audit to aid increased audit efficiency. This review concluded that the audit was conducted to a good standard with appropriate focus and challenge on the key audit risks.

KPMG has discussed more generally the firm's process for enhancing audit quality which includes internal quality reviews.

AQR of the Avon Protection 2021 audit by KPMG

During the year, the 2021 audit of Avon Protection plc by KPMG was reviewed by the FRC's Audit Quality Review (AQR) team.

The AQR highlighted specific areas for improvement related to how KPMG evaluated or challenged the required disclosures in relation to the Company's financial reporting period. The Committee considered the findings, discussed them with management and KPMG and is satisfied that the Company's financial reporting period for 2022 and the comparative period is appropriately disclosed in the 2022 half year results and Annual Report and Accounts. The AQR raised no concerns on the audit challenge over the significant risks referenced in the Auditor's Report.

No changes were required to the accounting applied in the Annual Report and Accounts 2021.

Audit fees and auditor re-appointment

During 2022, the Committee reviewed and approved the proposed audit fees and terms of engagement for the 2022 audit and recommended to the Board that it proposes to shareholders that KPMG be re-appointed as the Group's external auditor for 2023 at the AGM to be held on 27 January 2023.

Auditor independence

To ensure the independence and objectivity of the external auditor and avoid a situation where the auditor's familiarity with the Group's affairs results in excessive trust, the Committee maintains a formal Auditor Independence Policy. The policy follows the ethical guidance on auditor independence issued by the FRC in December 2019 and was reviewed during the year to ensure it remained appropriate. Under the policy all non-audit services permitted by the FRC require the specific approval of the Audit Committee.

The policy also establishes guidelines for the recruitment of employees or former employees of the external auditor. To ensure compliance with this policy, the Audit Committee carried out a review during the year; this included consideration of the remuneration received by KPMG for audit services, audit-related services and non-audit work.

The breakdown of the fees paid to the external auditor is included in note 2.5 of the financial statements. KPMG also conducted a half year review on the interim financial results of the Group. No other non-audit services were provided by KPMG during the year.

Internal control

The Committee regularly reviews the effectiveness of the Group's system of internal controls and risk management. This involves the monitoring and review of the effectiveness of internal audit activities, which included a review of the audits carried out including the recommendations arising, management's responses and actions to address recommendations and approving the internal audit programme and resourcing for 2023.

The internal audit programme is comprised of risk-based audits undertaken by Deloitte. Deloitte reports directly to the Audit Committee, which considered and approved the scope of the 2022 internal audit programme to be undertaken. The Chair of the Committee also holds separate meetings with Deloitte, without Executive management being present. During the year, Deloitte focused its internal audit work on the purchase to pay process and management, business continuity and IT resilience, supply chain and procurement, and capital management – intangible spend.

Several improvements were identified in respect of developing and enhancing the Group's risk management processes, better documenting the operation of controls, further integration of purchasing processes and further enhancing processes around management and timeliness of reviews of capitalised expenditure.

As part of the internal control framework, site controllers and plant managers are obliged to positively confirm, on a biannual basis, that the controls as documented in the internal control manual are in place and are being adhered to, with specific reference to key controls such as bank and control account reconciliations. This process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. It has been reviewed by the Board and continues to be monitored by the Committee, which remains satisfied with the arrangements.

As part of its work, and in line with its terms of reference, the Committee also considers the discharge of the Board's responsibilities in the areas of corporate governance, financial reporting and internal control, including the internal management of risk, as identified in the Code and the FRC Guidance on Risk Management, Internal Control and Related Financial Business Reporting. In 2022, the Group further strengthened its risk management procedures and these have been reviewed by the Committee. Risk management activities are dealt with in more detail in the Principal Risks and Risk Management section on pages 62 to 69 and the Corporate Governance Report on page 78.

Audit Committee effectiveness review

The evaluation of the effectiveness of the Audit Committee was conducted alongside the Board effectiveness review, information on which is provided in the Corporate Governance Report on page 78. The review concluded that the Audit Committee continued to operate effectively during the year.

Bindi Foyle
Chair of the Audit Committee

22 November 2022

LETTER FROM THE CHAIR

Chloe Ponsonby
Chair of the Remuneration Committee

Attendance at Remuneration Committee meetings

During the year the Remuneration Committee held four scheduled meetings. Attendance of the members of the Committee is recorded in the table below:

Scheduled meetings	Attended	Eligible to attend
Chloe Ponsonby	4	4
Bruce Thompson	4	4
Bindi Foyle	4	4
Victor Chavez	4	4

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the 52 weeks ended 1 October 2022. This includes the following three sections:

- This Annual Statement which summarises the work of the Remuneration Committee ('the Committee') in 2022 and sets out the context in which pay decisions were made.
- The Directors' Remuneration Policy ('the Policy') which was approved by shareholders at the 2021 AGM and sets the parameters within which Directors are remunerated.
- The Annual Report on Remuneration which provides (i) details of the remuneration earned by Directors and the link between Company performance and pay in the 52 weeks ended 1 October 2022 and (ii) how we intend to implement the Policy in 2023.

The Annual Statement and the Annual Report on Remuneration will, together, be subject to the usual advisory shareholder vote at the AGM on 27 January 2023. The Policy, which was approved in January 2021, will continue to apply for the 2023 financial period, the third year of the three-year Policy.

Business context

As referred to in the Chair's Statement and the Strategic Report, 2022 has presented both challenges and opportunities for the Group. It is pleasing to see results which reflect solid order intake and a much improved operational performance in the second half of the year, after a challenging first half. We have successfully navigated the retirement and replacement of the Chief Financial Officer back in March and the subsequent departure of the Chief Executive Officer, and the Group has made solid progress in 2022. We are now well positioned going into 2023 under a new Executive team.

The Committee has been particularly mindful of the challenging economic environment and the impact this has had on all our employees. The Committee has had good visibility of pay practices across the Group and in particular the significantly higher than normal annual pay increase for the wider workforce which was implemented on 1 October 2022. This was between 5% and 8%, with our hourly paid workforce receiving 8%. The annual increases made to senior executive pay this year were at the lower end of those made for the wider workforce at c.5% for the Executive Board and 2.5% for the Chief Financial Officer. It is pleasing to see the Group's financial performance triggering an annual bonus payment after the miss last year, but disappointing that the performance over the last 3 years has not been sufficient to permit the Long Term Incentive Plan (LTIP) award to vest.

Remuneration outcomes for FY22

The annual bonus for 2022 was dependent on a scorecard of measures which included adjusted operating profit (40%), cash conversion (20%), revenue (20%) and the delivery of strategic objectives (20%).

Based on the Company's financial performance for the year and achievement against the strategic objectives, the Committee determined the bonus outcome to be 44.3% of maximum for Paul McDonald and Nick Keveth and 48.3% of maximum for Rich Cashin. Full details can be found on page 98.

Vesting of the Long Term Incentive Plan awards made on 17 March 2020 was based on two measures – relative TSR and EPS growth – over the three-year performance period. The Group did not meet the threshold targets and therefore the awards will lapse in full.

No discretion was applied in determining the annual bonus and LTIP vesting outcomes. The Committee agreed the final remuneration outcomes reflected Group performance over the respective performance periods and was satisfied the Policy had operated as intended.

Updates on the terms of the 2022 LTIP award

At the time of signing off last year's Remuneration Report, the Board was undertaking a strategic review of the armor business and the Remuneration Committee wished to see the outcome of the review before setting the three-year targets for the 2021/22 award. The measures and targets, which remain relative TSR and EPS growth, were set out in the RNS at the time the award was made on 1 February 2022. Reflecting the fall in the Company's share price and the impact this had on the number of awards being granted, the Committee agreed to make a reduced LTIP grant of 125% of salary to Paul McDonald instead of a 175% of salary grant as permitted under the Directors' Remuneration Policy. Full details of the award granted are set out in the Annual Report on Remuneration.

Board changes

As set out in the prior period report, Nick Keveth retired from the Group as Chief Financial Officer and ceased to be an employee on 31 March 2022. Nick received salary and contractual benefits until the date of cessation and received no payment in lieu of notice or payment for loss of office. As a good leaver and having worked for the first six months of the financial

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THE COMMITTEE SEEKS TO SUPPORT THE DELIVERY OF THE GROUP'S STRATEGY THROUGH ESTABLISHING REMUNERATION ARRANGEMENTS WHICH SUPPORT SUSTAINABLE VALUE CREATION FOR OUR SHAREHOLDERS AND INCENTIVISE MANAGEMENT.

year, Nick was eligible to receive a pro rata bonus for the 2021/22 financial year and will receive a bonus of 44.3% of maximum. Nick also retained an interest in the LTIP awards that were granted to him in 2019/20 and 2020/21. The performance conditions for the 2019/20 LTIP award were not achieved (see above) and his 2020/21 awards will vest subject to the achievement of performance criteria and will be subject to a pro rata reduction for time served. Nick did not receive an LTIP award in 2021/22.

In May 2022, the Board announced that, after 5 years as Chief Executive Officer and 19 years with the Company, Paul McDonald would step down as Chief Executive Officer on 30 September 2022. For the remaining term of his 12-month notice period and in line with his service agreement, Paul remains available to carry out certain duties of his employment and during this time will receive his salary and contractual benefits. Reflecting his long service with the Company, Paul has been treated as a good leaver for incentive purposes and will receive a bonus for the 2021/22 financial year of 44.3% of maximum. Paul's 2019/20 LTIP award did not vest as the performance criteria were not achieved. His 2020/21 and 2021/22 awards will vest subject to performance on their normal vesting dates. These awards will be reduced pro rata to reflect time served and will be subject to a two-year holding period.

Rich Cashin joined the Group as Chief Financial Officer designate on 7 March 2022 and after a brief handover period was appointed Chief Financial Officer on 31 March 2022 with an annual base salary of £350,000 p.a. Consistent with our policy, Rich has an annual bonus opportunity of 125% of salary and a maximum annual LTIP grant of 150% of salary. For 2022, Rich's bonus opportunity has been pro-rated for his time in employment and he received a reduced LTIP award upon joining with a face value of 100% of base salary to reflect his joining part way through the financial year. His pension provision is aligned with the standard U.K. pension arrangement for the wider workforce in the U.K., being an employer contribution of 7.5% of salary.

After the year end, on 17 October 2022, we were pleased to announce the appointment of Jos Sclater as Chief Executive Officer with effect from 16 January 2023. Jos' base salary has been set at £526,594 p.a. and he will receive a U.K. workforce aligned pension contribution of 7.5% of base salary. In line with the shareholder approved policy, Jos' bonus opportunity will be 125% of base salary (pro-rated for time served in 2022/23) and he will be eligible for an LTIP grant of 175% of salary upon joining. Jos has not forfeited any remuneration upon joining the Company and therefore there has been no need to make a one-off buyout award.

Jos' base salary has been set based on the market rate for the role following a comprehensive internal and external search. It reflects what was required to recruit someone of Jos' calibre and in setting his base salary, the Remuneration Committee took into account his salary at his previous employer and an appropriate premium for taking the role of Chief Executive Officer. The Committee also took into account Paul McDonald's base salary (£513,750) which took effect from 1 October 2021 and has set Jos' base salary by applying a 2.5% increase for 2022 which is a modest assessment of current salary inflation. A 2.5% increase compares with a workforce increase of between 5% and 8% of salary depending on position in the Company from 1 October 2022.

During the period between Paul McDonald stepping off the Board on 30 September 2022 and Jos Sclater joining in January 2023, Bruce Thompson has taken the role of Executive Chair. Bruce agreed with the Remuneration Committee that he would not receive any additional fees for acting as Executive Chair and would continue to receive his Chair's fee only. Bruce will revert to his position as Chair of the Board following Jos Sclater's arrival. During the period of Bruce's appointment as Executive Chair, it was agreed that he would step down as a member of the Remuneration Committee.

How the policy will be applied in 2022/23

The Committee will seek to implement the Policy as follows:

Base salaries

Reflecting the inflationary environment, a range of salary increases will apply across the business with the general workforce increase for 2022/23 being between 5% and 8% of salary, depending on position in the Company. The Committee determined that Rich Cashin's increase would be 2.5%, therefore increasing his salary from £350,000 to £358,750. As set out above, Jos Sclater's base salary will be £526,594 p.a. when he joins the business in January 2023, which is 2.5% higher than his predecessor's salary which was last reviewed in October 2021.

Annual bonus

Consistent with the approved Policy, the maximum annual bonus opportunity will be 125% of salary, with 25% of any bonus earned deferred into shares for two years. The bonuses will be based on operating profit (40%), a metric based on cash generated by the business (20%), revenue (20%) and strategic objectives (20%). The targets are commercially sensitive but will be disclosed in full on a retrospective basis in next year's report.

Long-Term Incentive Plan (LTIP)

The Committee intends to grant LTIP awards to senior executives in 2023. As evidenced with the approach taken to last year's LTIP grant, the Remuneration Committee considers the prevailing share price and changes over time when determining the LTIP grant. Both Rich Cashin and Jos Sclater are new recruits to the business and were not in office when the Company experienced significant market volatility. Recognising this, the Committee has determined that their LTIP grants will be set at 150% and 175% of base salary respectively, which is in line with our policy. The LTIP will be subject to two metrics – relative TSR and EPS growth.

Shareholder and employee views

Under the U.K. Corporate Governance Code, we are required to establish a mechanism for gathering the views of the workforce on all matters, including pay. Last year the Board agreed that the most effective way of achieving this in our business with employees across six sites (five of which are in the U.S.) was to create a Global Employee Advisory Forum. Topics of discussion this year have focused on the challenges of the cost of living crisis and the plans we have developed to address it for our people. In addition, we are conducting a remuneration review to ensure that our pay practices are fair for all and competitive in the market. As part of this work, our bonus schemes are being evaluated and the Global Employee Advisory Forum will be consulted on the outcomes of this work.

We have entered the final year of our Directors' Remuneration Policy and later this year the Remuneration Committee will consider the design of a new policy to apply from the 2023/24 financial year. In this regard, I am always happy to hear from the Company's shareholders and if you would like to provide feedback on our pay arrangements, or if you have any questions on this report or more generally in relation to the Company's remuneration, you can contact me via the Company Secretary.

Chloe Ponsonby
Chair of the Remuneration Committee

22 November 2022

REMUNERATION AT A GLANCE

The key elements of Executive Directors' remuneration packages and our approach to implementation in 2023 are summarised below:

		Remuneration 2022	Remuneration 2023
FIXED PAY	Salary (annual base)	CEO (Paul McDonald): £513,750 CFO (Nick Keveth): £359,625 CFO (Rich Cashin): £350,000	CEO: £526,594 (upon joining in January 2023) CFO: £358,750
	Pension	CEO reduced to 7.5% of salary from 1 April 2022 CFO 7.5% of salary from the appointment of Rich Cashin as CFO (effective from 1 April 2022)	A 7.5% of salary employer contribution rate applies. This is aligned with the U.K. workforce contribution rate
	Benefits	Includes car allowance, private health insurance and life insurance	Includes car allowance, private health insurance and life insurance
ANNUAL BONUS	Maximum opportunity	CEO: 125% of salary CFO: 62.5% of salary each, reflecting Nick Keveth's retirement from the Board on 31 March 2022 and Rich Cashin's appointment on 1 April 2022	125% of salary CEO's bonus pro rated for period as a Director
	Operation	• Performance measures: revenue (20%), operating profit (40%), cash conversion (20%) and strategic objectives (20%) • 25% of the overall amount deferred into shares which vest after two years • Malus and clawback provisions apply	• Performance measures: revenue (20%), operating profit (40%), a metric based on cash generated by the business (20%) and strategic objectives (20%) • 25% of the overall amount deferred into shares which vest after two years • Malus and clawback provisions apply
LONG-TERM INCENTIVES	Award level	CEO: 125% of salary CFO (Nick Keveth): no award was granted CFO: 100% of salary, reflecting Rich Cashin joining partway through the financial year	CEO: 175% of salary grant on appointment CFO: 150% of salary
	Operation	• Performance measures: relative TSR (50% of award) and EPS with a ROCE underpin (50% of award) • Performance measured over three years • Two-year additional holding period applies to vested awards • Malus and clawback provisions apply	• Performance measures: relative TSR (50% of award) and EPS with a ROCE underpin (50% of award) • Performance measured over three years • Two-year additional holding period applies to vested awards • Malus and clawback provisions apply
SHAREHOLDING GUIDELINES	In employment	200% of salary	200% of salary
	Post-employment	200% of salary to be held for two years post-employment	200% of salary to be held for two years post-employment

DIRECTORS' REMUNERATION POLICY

This section of the report sets out our Directors' Remuneration Policy which was approved by shareholders at the AGM on 29 January 2021 and took formal effect from that date.

Guiding policy

The Company's guiding policy on executive remuneration is that:

- executive remuneration packages should be clear and simple, taking into account the linkage between pay and performance by both rewarding effective management and making the enhancement of shareholder value a critical success factor in the setting of incentives, both in the short and the long term;
- the overall level of salary, incentives, pension and other benefits should be competitive (but not excessive) when compared with other companies of a similar size and global spread and should be sufficient to attract, retain and motivate Executive Directors of superior calibre in order to deliver long-term success; and
- performance-related components should form a significant proportion of the overall remuneration package, with maximum total potential rewards being earned through the achievement of challenging performance targets based on measures that are linked to the Company's KPIs and to the best interests of shareholders.

Considerations when determining remuneration policy

The Committee undertook a comprehensive review of the current Directors' Remuneration Policy during 2020 to ensure, primarily, that it continues to: (i) support the strategy and promote the long-term sustainable success of the Group; (ii) align executive remuneration with Company culture, purpose and values and clearly provide linkage to the successful delivery of the Company's long-term strategy; (iii) attract, retain and motivate executive management of the quality required to run the Company successfully (without paying more than is necessary); and (iv) have regard to the views of our shareholders and other stakeholders and appropriately reflect the best practice expectations of institutional investors.

The U.K. Corporate Governance Code has been a key touchstone and we have been careful to take full account of the remuneration-related provisions in our design considerations. With regard to how we have sought to comply with the six factors outlined in Provision 40 of the Code, for example, we believe the following are worth noting in particular:

- **Clarity** – Our remuneration framework is structured to support financial delivery and the achievement of strategic objectives, aligning the interests of Executive Directors with those of our shareholders. Our Policy is transparent and well understood by our senior executive team. It has been clearly articulated to our shareholders and representative bodies (both on an ongoing basis and during consultation when changes are being made).
- **Simplicity** – Our remuneration framework is straightforward to communicate and operate. We have operated the same simple and transparent overarching structure for many years and applied it on a consistent basis across all employees.
- **Risk** – Our incentives have been structured to ensure that they are aligned with the Board's system of risk management and risk appetite. Inappropriate risk taking is discouraged and mitigated through, for example: (i) the operation of arrangements that provide an appropriate balance of fixed pay to short and long-term incentive pay and through multiple performance measures based on a blend of financial, non-financial and shareholder return targets; (ii) the deferral of a proportion of annual bonus into shares and the operation of a post-vesting holding period for the LTIP; (iii) the operation of significant in-employment and post-employment shareholding guidelines; and (iv) the operation of robust recovery and withholding provisions.
- **Predictability** – Our incentive plans are subject to individual caps, with our share plans also subject to market standard dilution limits. The Committee has full discretion to alter the pay-out level or vesting outcome to ensure payments are appropriately aligned with the underlying performance of the Company.
- **Proportionality** – Ensuring Executive Directors are not rewarded for failure underscores our approach to remuneration (e.g. the significant proportion of our packages is based on long-term performance targets linked to the KPIs of the Company, through our ability and openness to the use of discretion to ensure appropriate outcomes, and through the structure of our Executive Directors' contracts). There is a clear link between individual awards, delivery of strategy and our long-term performance. As mentioned above, formulaic incentive outcomes are reviewed by the Committee and may be adjusted having consideration to overall Group performance and wider workforce remuneration policies and practices.
- **Alignment to culture** – Our Policy is aligned to Avon Protection's culture and values. The Committee strives to instil a sustainable performance and continuous improvement culture at the management level that can cascade down throughout the Company. The Board sets the framework of KPIs against which we monitor the performance of the Company and the Committee links the performance metrics of our incentive arrangements to those KPIs. We are also keen to foster a culture of share ownership throughout the Company and operate all-employee share arrangements in pursuit of this objective.

Further details of the role of the Committee and its decision-making process can be found in the Annual Report on Remuneration on page 97.

DIRECTORS' REMUNERATION POLICY CONTINUED

Policy table

The table below sets out the main components of the current Remuneration Policy for Directors, together with further information on how these aspects of remuneration operate. The Remuneration Committee has discretion to amend remuneration and benefits to the extent described in the table and the written sections that follow it.

Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value	Performance targets
Basic salary	To provide competitive fixed remuneration. To attract and retain Executive Directors of superior calibre in order to deliver long-term business success. Reflects individual experience and role. The Committee's aim is to position salaries around the mid-market level of companies of a similar size, scale and complexity.	Normally reviewed annually by the Remuneration Committee with increases typically effective 1 October. Individual salary adjustments take into account each Executive Director's role, competence and performance. Significant adjustments are infrequent and normally reserved for material changes in role, a significant increase in the size/complexity of the Group, or where an individual has been appointed on a low salary with an intention to bring them to market levels over time and subject to performance. Other factors which will be taken into account will include pay and conditions elsewhere in the Group, progression within the role, and competitive salary levels in companies of a broadly similar size and complexity.	No prescribed maximum or maximum increase. The normal approach will be to limit increases to the average level across the wider workforce, though increases above this level may be awarded subject to Committee discretion to take account of certain circumstances, such as those stated under 'Operation'. On recruitment or promotion, the Committee will consider previous remuneration and pay levels for comparable companies (for example, companies of a similar size and complexity, industry sector or location), when setting salary levels. This may lead to salary being set at a lower or higher level than for the previous incumbent.	Although there are no formal performance conditions, any increase in base salary is only implemented after careful consideration of individual contribution and performance and having due regard to the factors set out in the 'Operation' column of this table.
Benefits	To provide competitive fixed remuneration. To attract and retain Executive Directors of superior calibre in order to deliver long-term business success.	Executive Directors are entitled to benefits such as travel-related benefits including a car or car allowance, medical assessments every two years, private health insurance and life assurance. Executives will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms. Any reasonable business-related expenses (and any tax thereon) can be reimbursed if determined to be a taxable benefit. Executive Directors will be eligible to participate in any all-employee share plan operated by the Company, on the same terms as other eligible employees. For external and internal appointments or relocations, the Company may pay certain relocation and/or incidental expenses as appropriate.	As it is not possible to calculate in advance the cost of all benefits, a maximum is not pre-determined. The maximum level of participation in all-employee share plans is subject to the limits imposed by the relevant tax authority from time to time.	Not applicable.

Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value	Performance targets
Pension	To reward sustained contributions by providing retirement benefits.	The Company funds contributions to a Director's pension as appropriate through contribution to the Company's money purchase scheme or through the provision of salary supplements or a combination of these.	Company contribution up to 7.5% of salary from 1 April 2022. Future appointments to the Board will receive contributions in line with the prevailing rate offered to the general workforce (currently 7.5% of salary in the U.K.) in the country where they are based at the time. Policy amendment post approval – The maximum employer contribution level for all Executive Directors from 1 October 2022 is the workforce contribution level.	Not applicable.
Annual bonus	Rewards the achievement of annual financial and business targets aligned with the Group's KPIs. Maximum bonus only payable for achieving demanding targets. Deferred element encourages long-term shareholdings and discourages excessive risk taking.	Bonus is based on performance in the relevant financial period. Any payment is discretionary and will be subject to the achievement of stretching performance targets. Bonus is normally paid in cash, except 25% of any bonus which is deferred into shares for two years. Bonuses are not contractual and are not eligible for inclusion in the calculation of pension arrangements. Recovery and withholding provisions apply in cases of misconduct, corporate failure, reputational damage, error in calculation of a bonus and material misstatement of financial results. Dividends or dividend equivalents may accrue on deferred shares.	Capped at 125% of salary.	The Committee sets performance measures and targets that are appropriately stretching each year, taking into account key strategic and financial priorities and ensuring there is an appropriate balance between incentivising Executive Directors to meet targets, while ensuring they do not drive unacceptable levels of risk or inappropriate behaviours. Financial measures will normally determine at least 75% of the bonus opportunity and the balance may be based on non-financial, strategic, personal and/or ESG-related objectives. A graduated scale of targets is normally set for each measure, with no pay-out for performance below a threshold level of performance. The Committee has discretion to amend the pay-out should any formulaic outcome not reflect the Committee's assessment of overall business performance.

DIRECTORS' REMUNERATION POLICY CONTINUED

Policy table continued

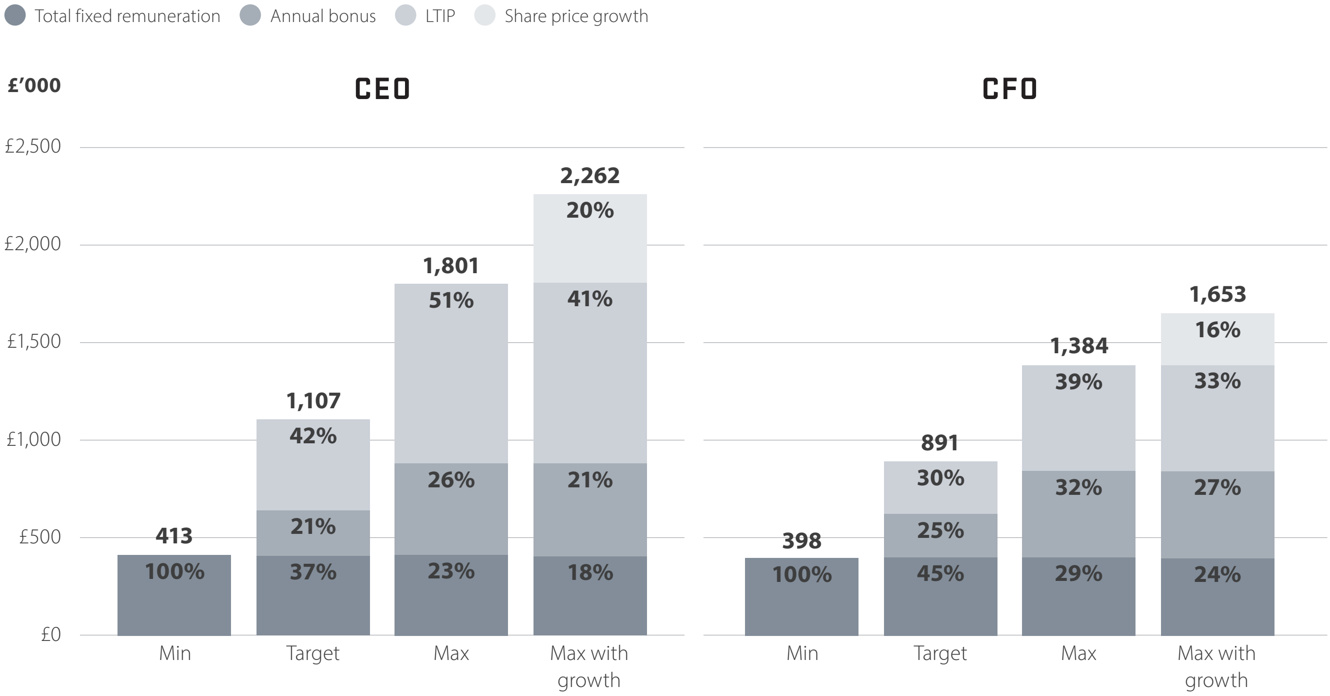
Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value	Performance targets
Long Term Incentive Plan	Designed to align Executive Directors' interests with those of shareholders and to incentivise the delivery of sustainable earnings growth and superior shareholder returns.	Awards of conditional shares or nil cost option awards which normally vest after three years subject to the achievement of performance targets and continued service. An additional two-year holding period applies after the end of the three-year vesting period. Recovery and withholding provisions apply in cases of misconduct, corporate failure, reputational damage, error in calculation of award and material misstatement of financial results. Dividend equivalents may be paid for awards to the extent they vest. The Committee retains discretion to adjust vesting levels in exceptional circumstances, including but not limited to regard of the overall performance of the Company or the grantee's personal performance.	Executive Directors may receive an award of up to 175% of basic salary per annum. The Committee will consider the prevailing share price when deciding on the number of shares to be awarded as part of any LTIP grant. A 10% in ten years dilution limit governing the issue of new shares to satisfy all share schemes operated by the Company will apply.	Performance measures may include, and are not limited to, relative TSR, EPS, strategic measures and ESG-related objectives. The Committee retains discretion to set alternative weightings or performance measures for awards over the life of the policy. 100% of awards vest for stretch performance, up to 20% of an award vests for threshold performance and no awards vest below this. Underpins may apply.
Share ownership guidelines	To increase alignment between Executives and shareholders.	Executive Directors are required to retain at least 50% of their net of tax vested awards until the in-employment shareholding guideline is met. Nil cost options which have vested but are yet to be exercised and deferred bonus awards subject to a time condition only may be considered to count towards the in-employment shareholding on a notional post-tax basis.	Executive Directors are required to build up and maintain an in-employment shareholding worth 200% of salary (100% for other senior management). Executive Directors are normally required to hold shares at a level equal to the lower of their shareholding at cessation and 200% of salary for two years post-employment (excluding shares purchased with own funds and any shares from share plan awards made before the approval of this policy).	Not applicable.

Element of remuneration	Purpose and link to strategy	Operation	Maximum potential value	Performance targets
Chair and Non-Executive Directors' fees and benefits	To provide compensation in line with the demands of the roles at a level that attracts high-calibre individuals and reflects their experience and knowledge.	Fees are normally reviewed annually taking into account factors such as the time commitment and contribution of the role and market levels in companies of comparable size and complexity. The Chair is paid an all-inclusive fee for all Board responsibilities. Fees for the other Non-Executive Directors may include a base fee and additional fees for further responsibilities (for example, chairship of Board Committees or holding the office of Senior Independent Director). The Company repays any reasonable expenses that a Non-Executive Director incurs in carrying out their duties as a Director, including travel, hospitality-related and other modest benefits and any tax liabilities thereon, if appropriate. If there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay extra fees on a pro rata basis to recognise the additional workload.	No prescribed maximum fee or maximum fee increase. Increases will be informed by taking into account internal benchmarks such as the salary increase for the general workforce and will have due regard to the factors set out in the 'Operation' column of this table.	Not applicable.

DIRECTORS' REMUNERATION POLICY CONTINUED

Illustration of the application of the Policy

The balance between fixed and variable 'at risk' elements of remuneration changes with performance. Our policy results in a significant proportion of remuneration received by Executive Directors being dependent on performance. The charts below illustrate how the Policy would function for minimum, on target and maximum performance in 2022/23.



Assumptions for the chart above

- Minimum: comprises fixed pay for the year made up of base salary levels (applying from 1 October 2022 for Rich Cashin and from appointment in January 2023 for Jos Sclater), the value of pension at 7.5% of annual basic salary and the estimated value of benefits.
- On-target: bonus achieved at 50% of the maximum opportunity, i.e. 62.5% of salary and with the on-target level of vesting under the LTIP taken to be 50% of the face value of the award at grant, i.e. 75% of salary.
- Maximum: full bonus achieved and LTIP vesting in full, i.e. 125% of salary bonus pay-out and LTIP awards to the value of 150% of salary.
- Share price appreciation of 50% has been assumed for the LTIP awards under the final 'Max with growth' scenario.
- Amounts relating to all-employee share schemes have, for simplicity, been excluded from the charts.

Selection of performance measures and targets

Annual bonus

The Executives' annual bonus arrangements are focused on the achievement of the Company's short and medium-term financial objectives, with financial measures selected to closely align the performance of the Executive Directors with the strategy of the business and with shareholder value creation. Where non-financial objectives are set, these are chosen to support the delivery of the longer-term strategic milestones and which link to those KPIs of most relevance to each Director's individual responsibilities.

Details of the measures used for the annual bonus are given in this Remuneration Report.

Long-Term Incentive Plan

The aim of the LTIP is to motivate Executive Directors and other senior executives to achieve performance superior to the Company's peers and to maintain and increase earnings levels whilst at the same time ensuring that it is not at the expense of longer-term shareholder returns. This is reflected in the LTIP's performance conditions which are based on relative TSR and EPS growth.

The Committee will review the choice of performance measures and the appropriateness of the performance targets prior to each LTIP grant.

The TSR measure takes the total return received by the Company's shareholders in terms of share price growth and dividends over a three-year period and compares it with the total returns received by shareholders in companies within a predetermined and appropriate comparator group. The Remuneration Committee's intention is to reward only TSR performance which outperforms the comparator group.

The EPS measure is based on growth in adjusted earnings per share over the performance period. The target range is a sliding scale set at the time of award taking account of internal and external forecasts, to encourage continuous improvement and incentivise the delivery of stretch performance. The Committee will also assess the Group's ROCE performance when approving the vesting outcome under the EPS element of awards.

Flexibility, discretion and judgement

The Remuneration Committee operates the annual bonus and LTIP according to the rules of each respective plan which, consistent with market practice, include discretion in a number of respects in relation to the operation of each plan. Discretions include:

- who participates in the plan, the quantum of an award and/or payment and the timing of awards and/or payments;
- determining the extent of vesting;
- treatment of awards and/or payments on a change of control or restructuring of the Group;
- whether an Executive Director or a senior manager is a good/bad leaver for incentive plan purposes and whether the proportion of awards that vest do so at the time of leaving or at the normal vesting date(s);
- how and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or special dividends);
- what the weighting, measures and targets should be for the annual bonus plan and LTIP awards from year to year;
- the Committee also retains the ability, within the policy, if events occur that cause it to determine that the conditions set in relation to an annual bonus plan or a granted LTIP award are no longer appropriate or unable to fulfil their original intended purpose, to adjust targets and/or set different measures or weightings for the applicable annual bonus plan and LTIP awards with, in the case of LTIP awards held by Executive Directors, adjusted performance conditions being not materially less difficult to satisfy than the original conditions would have been but for the relevant event(s); and
- the ability to override formulaic outcomes in line with policy.

All assessments of performance are ultimately subject to the Committee's judgement and discretion is retained to adjust payments in appropriate circumstances as outlined in this Policy. Any discretion exercised (and the rationale) will be disclosed.

Legacy arrangements

For the avoidance of doubt, in approving this Remuneration Policy, authority was given to the Company to honour any previous commitments entered into with current or former Directors (such as the payment of a pension or the unwinding of legacy share schemes or historical share awards granted before the approval of this policy) that remain outstanding.

Approach to recruitment remuneration

New Executive Directors will be offered a basic salary in line with the Policy. This will take into consideration a number of factors including external market forces, the expertise, experience and calibre of the individual and current level of pay. Where the Committee has set the salary of a new appointment at a discount to the market level initially until proven, it may receive an uplift or a series of planned increases to bring the salary to the appropriate market position over time. For external and internal appointments, the Committee may agree that the Company will meet appropriate relocation and/or incidental expenses as appropriate.

Annual bonus awards, LTIP awards and pension contributions would not be in excess of the levels stated in the Policy.

Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions for the first performance year of appointment. An LTIP award can be made shortly following an appointment (assuming the Company is not in a close period). In the case of an internal appointment, any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment.

In addition, the Committee may offer additional cash and/or share-based buyout awards when it considers these to be in the best interests of the Company (and therefore shareholders) to take account of remuneration given up at the individual's former employer. This includes the use of awards made under 9.4.2 of the Listing Rules. Such awards would be capped at a reasonable estimate of the value forgone and would reflect, as far as possible, the delivery mechanism, time horizons and whether performance requirements are attached to that remuneration. Shareholders will be informed of any such payments at the time of appointment and/or in the next published Annual Report.

For the appointment of a new Chair or Non-Executive Director, the fee arrangement would be set in accordance with the approved Remuneration Policy.

Service contracts, letters of appointment and policy on payments for loss of office

Executive Directors

The Company's policy is that Executive Directors should normally be employed under a contract which may be terminated by either the Company or the Executive Director giving no more than 12 months' notice.

The Company may terminate the contract with immediate effect with or without cause by making a payment in lieu of notice by monthly instalments of salary and benefits, with reductions for any amounts received from providing services to others during this period. There are no obligations to make payments beyond those disclosed elsewhere in this report.

The Remuneration Committee strongly endorses the obligation on an Executive Director to mitigate any loss on early termination and will seek to reduce the amount payable on termination where it is appropriate to do so. The Committee will also take care to ensure that, while meeting its contractual obligations, poor performance is not rewarded. The Executive Directors' contracts contain early termination provisions consistent with the Policy outlined above.

The Group may pay outplacement and professional legal fees incurred by Executives in finalising their termination arrangements, where considered appropriate, and may pay any statutory entitlements or settle compromise claims in connection with a termination of employment, where considered in the best interests of the Company. Outstanding savings/shares under all-employee share plans would be transferred in accordance with the terms of the plans.

A pro-rated bonus may be paid subject to performance, for the period of active service only. Outstanding share awards may vest in accordance with the provisions of the various scheme rules.

Under the Deferred Bonus Plan, the default treatment is that any outstanding awards will continue on the normal timetable, save for forfeiture for serious misconduct. Clawback and malus provisions will also apply. On a change of control, awards will generally vest on the date of a change of control, unless the Committee permits (or requires) awards to roll over into equivalent shares in the acquirer.

Under the LTIP, any outstanding awards will ordinarily lapse; however, in 'good leaver' cases the default treatment is that awards will vest subject to the original performance condition and time pro-ration and the holding period will normally continue to apply.

For added flexibility, the rules allow for the Committee to decide not to pro-rate (or pro-rate to a lesser extent) if it decides it is appropriate to do so, and to allow vesting to be triggered at the point of leaving by reference to performance to that date, rather than waiting until the end of the performance period. On a change of control, any vesting of awards will be subject to assessment of performance against the performance conditions and normally be pro-rated.

Where a buy-out award is made under the Listing Rules then the leaver provisions would be determined at the time of the award.

DIRECTORS' REMUNERATION POLICY CONTINUED

Service contracts, letters of appointment and policy on payments for loss of office continued

Chair and Non-Executive Directors

All Non-Executive Directors have letters of appointment rather than service contracts and are appointed on a rolling annual basis, which may be terminated on giving three months' notice at any time by either party.

Chair and Non-Executive Director appointments are subject to Board approval and election by shareholders at each Annual General Meeting.

All service contracts and letters of appointment are available for inspection at the Company's registered office.

External appointments

The Company recognises that its Executive Directors may be invited to become Non-Executive Directors of other companies. Such Non-Executive duties can broaden a Director's experience and knowledge which can benefit Avon Protection. Subject to approval by the Board, Executive Directors are allowed to accept Non-Executive appointments, provided that these appointments are not likely to lead to conflicts of interest, and the Committee will consider its approach to the treatment of any fees received by Executive Directors in respect of Non-Executive roles as they arise.

Consideration of shareholder views

The Committee is committed to an ongoing dialogue with shareholders and welcomes feedback on Directors' remuneration. The Committee seeks to engage directly with major shareholders and their representative bodies on changes to the Policy. The Committee also considers shareholder feedback received in relation to the remuneration-related resolutions each year following the AGM. This, plus any additional feedback received from time to time (including any updates to shareholders' remuneration guidelines), is then considered as part of the Committee's annual review of remuneration policy and its implementation.

The policy approved by shareholders was subject to a comprehensive consultation which elicited feedback from shareholders holding over 65% of shares in issue, as well as from the main shareholder representative bodies. This feedback helped shaped the policy which was approved by shareholders in January 2021.

Consideration of employment conditions elsewhere in the Group

The Committee closely monitors the pay and conditions of the wider workforce and the design of the Directors' Remuneration Policy is informed by the policy for employees across the Group.

While employees are not formally consulted on the design of the Directors' Remuneration Policy, the Board receives views through a Global Employee Advisory Forum comprising representatives from our Culture Champion network. Another way in which the Board engages with employees across the Group on remuneration is through the Employee Opinion Survey, which includes a section dedicated to pay and benefits. The results of this are shared with the Board.

Differences in pay policy for Executive Directors compared to employees more generally

As for the Executive Directors, general practice across the Group is to recruit employees at competitive market levels of remuneration, incentives and benefits to attract and retain employees, accounting for national and regional talent pools. When considering salary increases for Directors, the Committee will take into account salary increases and pay and employment conditions across the wider workforce. The pension contribution for Executive Directors is consistent with that for the general workforce. 36% of employees are able to earn annual bonuses for delivering exceptional performance, with corporate performance measures aligned to those set for the Executive Directors. All employees, including the Executive Directors, have the opportunity to participate in the tax-approved share incentive plans.

There are some differences in the structure of the Remuneration Policy for the Executive Directors compared to that for other employees within the organisation, which the Committee believes are necessary to reflect the differing levels of seniority and responsibility. At senior levels, remuneration is increasingly long term, and 'at risk' with an increased emphasis on performance-related pay and share-based remuneration. This ensures the remuneration of the Executives is aligned with both the long-term performance of the Company and the interests of shareholders.

ANNUAL REPORT ON REMUNERATION

Role and composition of the Remuneration Committee

The Board is ultimately accountable for executive remuneration and delegates this responsibility to the Remuneration Committee. The Remuneration Committee is responsible for developing and implementing a remuneration policy that supports the Group's strategy and for determining the Executive Directors' individual packages and terms of service together with those of the other members of the Group Executive management team. When setting the remuneration terms for Executive Directors, the Committee reviews and has regard to workforce remuneration and related policies and takes close account of the U.K. Corporate Governance Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.

The Remuneration Committee's terms of reference are available on the Company's website and include:

- determining and agreeing with the Board the policy for the remuneration of the Company's Chief Executive Officer, Chief Financial Officer, Chair and Company Secretary and such other members of the senior management team as it chooses to consider or is designated to consider (currently the Group Executive management team), having regard to remuneration trends across the Group;
- putting in place a remuneration structure that supports strategy and promotes long-term sustainable success – with executive remuneration aligned to Company purpose and values and clearly linked to the successful delivery of the Company's long-term strategy – and which attracts, retains and motivates executive management of the quality required to run the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders;
- reviewing the pay arrangements put in place for the broader workforce;
- within the terms of the agreed policy, determining the total individual remuneration package of each Executive Director including, where appropriate, bonuses, incentive payments, share options and pension arrangements;
- determining the targets for the performance-related bonus schemes for the Executive Directors and the Group Executive management team;
- reviewing the design of all share incentive plans for approval by the Board and shareholders;
- for any such discretionary plans, determining each year whether awards will be made, the overall amount of such awards, the individual awards to Executive Directors and the Group Executive management team (and others) and the performance targets to be used; and
- agreeing termination arrangements for senior executives.

The Committee currently comprises Chloe Ponsonby (Chair), Bindi Foyle and Victor Chavez. Bruce Thompson has stepped down from his role on the Remuneration Committee during the period of his appointment as Executive Chair from 1 October 2022.

By invitation of the Committee, meetings are also attended by the Chief Executive Officer, Chief Financial Officer and Company Secretary (who acts as secretary to the Committee), who are consulted on matters discussed by the Committee, unless those matters relate to their own remuneration. Advice or information is also sought directly from other employees where the Committee feels that such additional contributions will assist the decision-making process.

The Committee is authorised to take such internal and external advice as it considers appropriate in connection with carrying out its duties, including the appointment of its own external remuneration advisors. During the period, the Committee was assisted in its work by FIT Remuneration Consultants LLP. FIT was appointed in December 2019 and has provided advice in relation to general remuneration matters and the review of the remuneration policy. Fees paid to FIT in relation to advice provided to the Committee during the current period were £51,170 (excluding VAT), charged on a time/cost basis. FIT also provided advice to the Company on technical share plan implementation matters but other than this did not provide any other services to the Company. FIT is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the U.K. The Committee is satisfied that the advice it received from FIT was objective and independent.

The Committee addressed the following main topics during the financial period:

- reviewed guidance from investor bodies and institutional shareholders;
- reviewed and approved the remuneration packages for our current Executive Directors;
- determined the termination arrangements for the departing Chief Executive Officer and the terms of the incoming Chief Financial Officer's package;
- approved the annual bonus outcome for the 2021/22 financial period;
- reviewed and confirmed the vesting of the LTIP awards granted in March 2019; and
- reviewed and approved the terms of the 2022 LTIP awards and monitored the performance of the outstanding awards against their performance targets.

Since the end of the 2022 financial period, the Committee has:

- determined the package for the incoming Chief Executive Officer;
- approved annual bonus outcomes to the Executive Directors and the Executive Board, following completion of the external audit in November 2022 and undertaken a final assessment of the TSR and EPS performance conditions attached to the March 2020 LTIP awards (based on performance to 1 October 2022); and
- agreed the annual bonus structure for the 52 weeks ended 30 September 2023.

ANNUAL REPORT ON REMUNERATION CONTINUED

Single total figure of remuneration for Directors for the 52 weeks ended 1 October 2022 (audited)

Directors' single total figure of remuneration for the 52 weeks ended 1 October 2022 was as follows:

		Basic salary and fees £'000	Pension[3] £'000	Other benefits[4] £'000	Fixed remuneration sub-total £'000	Annual bonus £'000	LTIP[2] £'000	Variable remuneration sub-total £'000	Total remuneration £'000
Current Executive Directors									
Rich Cashin[1]	2022	199	15	5	219	106	–	106	325
Former Executive Directors									
Paul McDonald	2022	513	58	17	588	285	–	285	873
	2021	500	75	16	591	–	228	228	819
Nick Keveth	2022	180	27	10	217	99	–	99	316
	2021	350	51	16	417	–	158	158	575
Non-Executive Directors									
Bruce Thompson	2022	175	–	–	175	–	–	–	175
	2021	154	–	–	154	–	–	–	154
Chloe Ponsonby	2022	65	–	–	65	–	–	–	65
	2021	67	–	–	67	–	–	–	67
Bindi Foyle	2022	60	–	–	60	–	–	–	60
	2021	57	–	–	57	–	–	–	57
Victor Chavez	2022	50	–	–	50	–	–	–	50
	2021	42	–	–	42	–	–	–	42
Pim Vervaat[5]	2022	–	–	–	–	–	–	–	–
	2021	23	–	–	23	–	–	–	23
David Evans[5]	2022	–	–	–	–	–	–	–	–
	2021	24	–	–	24	–	–	–	24

Notes to total figure of remuneration table

1 Rich Cashin joined the Board on 31 March 2022.

2 The LTIP amounts for 2021 relate to the long-term incentive award which was granted in 2019. These figures have been updated from the prior period Remuneration Report to reflect the actual value of vested shares using the share price achieved on the vesting date on 20 December 2021 (£11.57), rather than the estimated value provided previously.

3 Paul McDonald and Rich Cashin were members of the Group's money purchase scheme. Contributions to the scheme were £4k for Rich and £4k for Paul. Remaining pension contributions were paid as a salary supplement. Nick Keveth's contributions were paid entirely as a salary supplement.

4 Benefits for 2022 include a car allowance, the cost of private health insurance, critical illness cover and executive medical.

5 Pim Vervaat and David Evans stepped off the Board on 29 January 2021 and 2 December 2020 respectively.

Annual bonus for the 52 weeks ended 1 October 2022 (audited)

The annual bonus opportunity for Executive Directors for 2022 was 125% of salary and this was based on targets relating to respiratory and head protection revenue (20%), respiratory and head protection adjusted operating profit (40%), Group cash conversion (20%) and the achievement of strategic objectives (20%).

The targets applying to each measure and performance against them are set out in the table below:

	Threshold (0% payable)	Stretch (100% payable)	Actual/ reported	% achievement	Bonus payable (% of maximum)
Revenue (20%)	$250.0m	$275.0m	$263.5m	61.6%	12.3%
Adjusted operating profit (40%)	$31.0m	$37.2m	$23.4m	0.0%	0.0%
Cash conversion (20%)	80.0%	100.0%	140.4%	100.0%	20.0%
Strategic objectives (20%)			Set out in more detail below		

Revenue for the year was $263.5 million which resulted in a partial pay out under this measure. Operating profit was below the threshold while the cash conversion measure was achieved in full.

Rich Cashin's objectives were half based on the scorecard of measures applying to Paul McDonald and Nick Keveth and half based on objectives relating to settling into the role to reflect his joining partway through the year.

The strategic element of the bonus for 2022 was based on six broad categories with objectives assigned to each. The categories and achievements are set out in the table below:

Head protection: Establish leading position in head protection by securing contracts and approvals to support short and medium-term growth of business	**Partially met:** Orders secured for some but not all contracts tendered. Outstanding orders for first generation Integrated Head Protection System (IHPS) were completed. IHPS approvals were mostly completed and the first order was received. ACH GEN II programme tender completed and contract awarded but submission of FAT samples were delayed.
Respiratory protection: Maintain leading global position in respiratory protection	**Partially met:** Second year of order fulfilment under the NSPA contract, some of which went to Ukraine. U.S. DOD requirements met but long term M50 procurement strategy yet to be clarified.
Body and flat armor: Manage the orderly wind-down of the armor business	**Partially met:** Wind down plan agreed and final order quantities are being manufactured. Sale options have been explored.
Operations: Upgrade operational capability to significantly improve conversion of orders into revenue on a consistent basis	**Partially met:** Progress in sales, inventory and operational planning and towards plans for enhancing the helmet production footprint.
Organisation/overheads: Streamline organisation to better reflect strategic priorities and to establish a sustainable level of overhead cost	**Partially met:** Overhead reductions well advanced but will not be delivered in full until body and flat armor business is closed. Organisational structure review underway as part of strategy review for consideration by new CEO.
ESG: Finalise the ESG policy, strategy and implementation plan, agree with Board and communicate to shareholders	**Partially met:** Good progress made on defining the ESG policy but implementation plan requires further development and not yet communicated to shareholders.

Objectives within each of the categories were partially met which has resulted in a 60% pay out against the strategic scorecard.

50% of Rich Cashin's strategic objectives related to his overall performance since joining in March 2022 (with the other 50% based on delivery of the objectives in the above 6 categories). The Committee determined that Rich's performance and contribution since joining has been strong, in particular the leadership of the Executive Board and the wider business shown after it was announced that Paul McDonald would be standing down as CEO . Therefore, Rich was adjudged to have achieved an overall score of 80% against his strategic objectives (based on 60% achievement of the objectives set out above and 100% achievement relating to his performance since joining).

The Committee believes bonus pay outs of 44.3% of maximum for both Paul McDonald and Nick Keveth and 48.3% of maximum for Rich Cashin are reflective of the performance of the business over the 12 month period. They are also considered appropriate in context of the nil bonus pay out in the prior period, and the nil vesting of the 2020 incentive award set out below.

Incentive awards vesting (audited)

Awards were granted on 17 March 2020 under the LTIP to the Chief Executive Officer and Chief Financial Officer and these are based on three-year performance targets. Half of the award was subject to a relative TSR condition (measuring performance against the constituents of the FTSE All-Share excluding investment trusts) and the other half was subject to EPS growth targets.

The TSR measurement period ended on 1 October 2022. The Company's TSR over this period was confirmed as (35.7)% which ranked the Company below the median of the peer group and therefore this part of the award will lapse in the 2023 financial period. The Company delivered an adjusted basic EPS of 20.4c, which was below the threshold growth target. Therefore, this element of the award will also lapse.

	Weighting	Threshold	Maximum	Actual performance	% Vesting
TSR	50%	Median	Upper quartile	Below median % TSR	0%
Adjusted basic EPS	50%	133.5c	162.1c	20.4c	0%

LTIP awards granted in the 52 weeks ended 1 October 2022 (audited)

The table below provides details of share awards made to Paul McDonald on 1 February 2022 and Rich Cashin on 8 March 2022:

	Type of award	Basis of award	Number of shares under award[1]	Face value of award (£'000)	% vesting at threshold	End of performance period
Paul McDonald[2]	Nil cost option	125% of salary	59,973	642	20% (TSR) 0% (EPS)	31 January 2025 (TSR) 30 September 2024 (EPS)
Rich Cashin[3]	Nil cost option	100% of salary	32,686	350	20% (TSR) 0% (EPS)	31 January 2025 (TSR) 30 September 2024 (EPS)

1 The number of awards was based on a share price of £10.71 which was the Company's five-day average share price over 25 January 2022 to 31 January 2022.

2 Paul McDonald's award was pro-rated down to 19,991 when he stepped down from the Board on 30 September 2022. The grant date face value of the remaining 19,991 shares was £214k.

3 Rich Cashin's award upon joining was reduced to 100% of salary to reflect his joining date of 7 March 2022.

The Committee took into account the prevailing share price at the time of grant and decided to reduce the Chief Executive Officer's grant level from 175% of salary to 125% of salary to reflect the year-on-year fall in share price. The Chief Financial Officer's grant level was set at 100% of salary which reflected his joining part way through the financial year.

ANNUAL REPORT ON REMUNERATION CONTINUED

LTIP awards granted in the 52 weeks ended 1 October 2022 (audited) continued

The performance conditions for this award will be measured over a three-year performance period and are as follows:

The first performance condition for 50% of the award compares the Company's total shareholder return (TSR) performance over the performance period relative to a comparator group. The comparator group for the TSR element is the constituents of the FTSE 250 Index (excluding investment trusts) as at the start of the performance period. No portion of the TSR element may vest unless the Company's TSR performance over the performance period at least equals the median TSR performance within the comparator group, for which 20% of the TSR element may vest, rising on a straight-line basis to full vesting of the TSR element for upper quintile or better relative TSR performance.

The second performance condition for the other 50% of the award is based on the Company's adjusted basic earnings per share (EPS) over the three-year performance period commencing on 1 October 2021. No portion of the EPS element may vest unless the adjusted EPS for the 2024 financial period is at least 100 U.S. cents, for which 0% of the EPS element may vest, rising on a straight-line basis to full vesting of the EPS element for EPS of 140 U.S. cents or better. The EPS element of the awards is subject to a return on capital employed underpin in respect of which the Remuneration Committee retains discretion to reduce the extent of vesting of the EPS element by regard to the Company's ROCE performance over the performance period.

The Remuneration Committee also retains a general discretion to reduce the extent of vesting of the awards generally if it considers that the underlying business performance of the Company does not justify vesting.

Directors' shareholdings and share interests and position under shareholding guidelines (audited)

Beneficial interests of Directors, their families and trusts in ordinary shares of the Company at 1 October 2022 were:

	Number of shares owned outright (including connected persons)	Unvested shares subject to performance conditions[2]	Shareholding as a % of salary as at 1 October 2022	Shareholding guidelines (200% of salary) met?
Paul McDonald	62,654[1]	70,494	137%	No
Rich Cashin	0	32,686	0%	No
Nick Keveth	30,468[3]	28,237	N/A	N/A
Bruce Thompson	11,000	–	N/A	N/A
Chloe Ponsonby	4,550	–	N/A	N/A
Bindi Foyle	500	–	N/A	N/A
Victor Chavez	1,015	–	N/A	N/A

1 This figure includes 883 deferred bonus shares.

2 Unvested LTIP shares.

3 Number of shares owned outright by Nick Keveth are stated as at the date of his retirement.

Outstanding LTIP awards (audited)

	Award date	Award held at 2 October 2021	Granted in the period	Vested in the period	Lapsed in the period	Outstanding awards at 1 October 2022
Paul McDonald	01.02.22	–	59,973	–	(39,982)	19,991
	02.02.21	28,153	–	–	(9,384)	18,769
	17.03.20	31,734	–	–	–	31,734
	20.03.19	38,599	–	(19,299)	(19,300)	–
Nick Keveth	02.02.21	19,707	–	–	(9,853)	9,854
	17.03.20	22,059	–	–	(3,676)	18,383
	20.03.19	26,722	–	(13,361)	(13,361)	–
Rich Cashin	08.03.22	–	32,686	–	–	32,686

The outstanding awards are subject to two performance criteria. Half the awards are subject to a relative TSR measure and the other half are subject to an EPS growth condition.

Total Directors' remuneration for the 52 weeks ended 1 October 2022 under Schedule 5 (audited)

	2022 £'000	2021 £'000
Aggregate remuneration, excluding gains on exercise of share options	1,864	1,375
Aggregate gains on the exercise of share options[1]	386	1,640
Aggregate contribution to defined contribution pension scheme	8	6

1 Gains on exercise of share options are shown at the actual value of vested shares using the vesting date share price.

During the period pension contributions were paid to defined contribution schemes for two Directors (2021: one Director).

Dilution

The Company reviews the awards of shares made under the all-employee and executive share plans in terms of their effect on dilution limits in any rolling ten-year period. In respect of the 5% and 10% limits recommended by the Investment Association, in the period of 10 years ending on 1 October 2022, we issued 300,000 shares in 2013 to satisfy awards under all our share plans, which represents 0.99% of our issued ordinary share capital at 1 October 2022.

It remains the Company's practice to use an Employee Share Ownership Trust (ESOT) in order to meet its liability for shares awarded under the LTIP. At 1 October 2022 there were 261,714 shares held in the ESOT which will either be used to satisfy awards granted under the LTIP to date, or in connection with future awards. A hedging committee ensures that the ESOT holds sufficient shares to satisfy existing and future awards made under the LTIP by buying shares in the market or recommending the Company issues new shares. Shares held in the ESOT do not receive dividends.

As at 1 October 2022, the market price of Avon Protection plc shares was £11.24 (2021: £19.42). During the 52 weeks ended 1 October 2022 the highest and lowest daily closing market prices were £20.74 and £7.39 respectively.

Share Incentive Plan

The Company currently operates the Avon Rubber p.l.c. Share Incentive Plan (SIP), approved by shareholders at the AGM in February 2012. All U.K. tax resident employees of the Company and its subsidiaries are entitled to participate. Under the SIP, participants purchase shares in the Company monthly using deductions from their pre-tax pay. Paul McDonald and Rich Cashin were not members of the SIP in 2022. Nick Keveth was a member and as at 30 September 2022 had purchased 534 shares through this scheme. On Nick's retirement from the Company he removed his SIP shares from the scheme. The maximum contribution each month under the SIP is currently £150, a sum which is set by the Government.

Payments to past Directors, including payments for loss of office (audited)

Nick Keveth

Nick Keveth retired from the Board and stepped down from his role as Chief Financial Officer on 31 March 2022. Nick received his salary and contractual benefits (including pension allowance/contributions) up to the date he ceased employment, 31 March 2022. He did not receive a payment in lieu of notice and he did not receive any payments by way of compensation for loss of office.

Nick will receive a pro rata bonus for 6 months worked at 44.3% of maximum and his cycle L LTIP award granted in 2020 will lapse based on performance to 30 September 2022. As a good leaver, Nick's deferred bonus awards will be released on the announcement of the Company's 2022 annual results subject to the rules of the plan. His outstanding unvested LTIP awards will vest on their normal vesting dates subject to achievement of performance criteria and a time pro rata reduction. Any LTIP awards that do vest will have a two-year holding period.

Nick Keveth was a participant in the Avon Rubber Share Incentive Plan (SIP). On his retirement from the Company he was permitted to remove/sell all shares from the SIP in accordance with the SIP rules and in line with all other employees, which follow legislation and HMRC guidance for tax advantaged plans in the U.K.

Paul McDonald

Paul McDonald stepped down from the Board and Avon Protection on 30 September 2022. Paul will continue to receive his salary and contractual benefits (including pension allowance/contributions) up until the end of the contractual notice period on 31 May 2023. These payments in lieu of notice remain subject to mitigation in the event Paul finds alternative employment.

Paul will receive a full bonus at 44.3% of maximum and his cycle L LTIP award granted in 2020 will lapse based on performance to 30 September 2022. As a good leaver, Paul's deferred bonus awards will be released on the announcement of the Company's 2022 annual results subject to the rules of the plan. His outstanding unvested LTIP awards will vest on their normal vesting dates subject to achievement of performance criteria and a time pro rata reduction. Any LTIP awards that do vest will have a two-year holding period.

Service contracts and letters of appointment

The table below summarises key details in respect of each Executive Director's contract.

	Contract date	Company notice period	Executive notice period
Paul McDonald	14 February 2017	12 months	12 months
Nick Keveth	9 May 2017	12 months	12 months
Rich Cashin	6 January 2022	12 months	12 months

Bruce Thompson was appointed as Executive Chair on 1 October 2022. Given this was an interim appointment only, he was not given an Executive contract of employment.

The date of each Non-Executive appointment is set out below, together with the date of their last re-election by shareholders.

	Date of initial appointment	Date of last re-election
Chloe Ponsonby	1 March 2016	29 January 2021
Bruce Thompson	1 March 2020	29 January 2021
Bindi Foyle	1 May 2020	29 January 2021
Victor Chavez	1 December 2020	29 January 2021

All service contracts and letters of appointment are available for inspection at the Company's registered office.

ANNUAL REPORT ON REMUNERATION CONTINUED

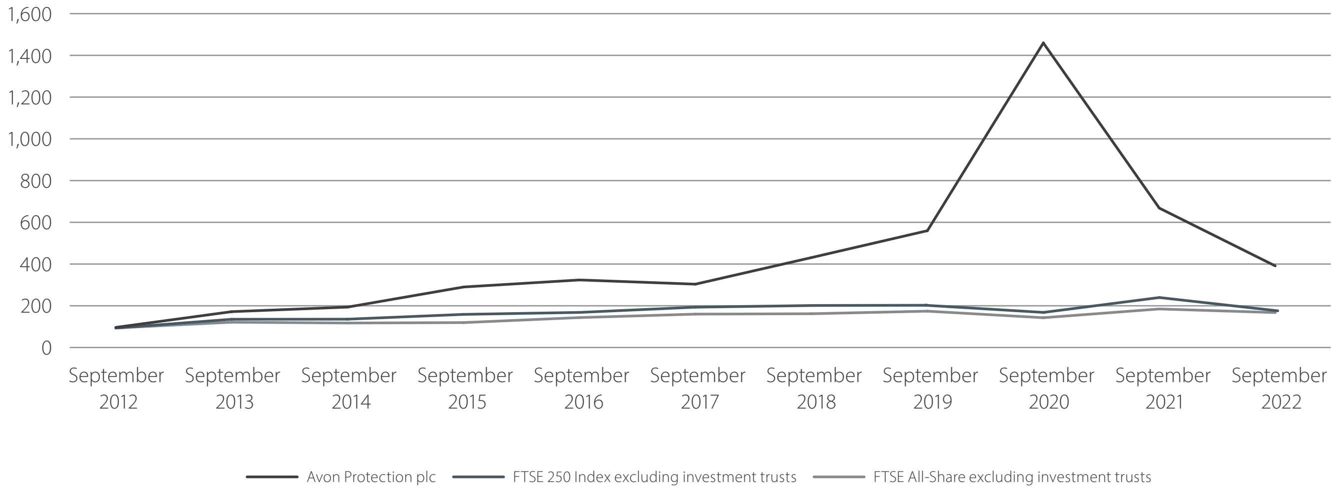
Other appointments

Rich Cashin is not currently appointed as a Non-Executive Director of any company outside the Group.

Total shareholder return performance graph

The following graph illustrates the total return, in terms of share price growth and dividends on a notional investment of £100 in the Company over the last ten years relative to the FTSE 250 Index (excluding investment trusts) and the FTSE All-Share Index (excluding investment trusts). These indices were chosen by the Remuneration Committee as a competitive indicator of general U.K. market performance for companies of a broadly similar size.

Total shareholder return performance graph



Chief Executive Officer's remuneration

The total remuneration figures, including annual bonus and vested LTIP awards (shown as a percentage of the maximum that could have been achieved), for the Chief Executive Officer for each of the last ten financial periods are shown in the table below.

Peter Slabbert retired on 30 September 2015. Rob Rennie stood down from the Board and was replaced by Paul McDonald on 15 February 2017. Paul McDonald stepped down as Chief Executive Officer on 30 September 2022.

Financial period	CEO	CEO single figure of total remuneration £'000	Annual bonus pay-out against maximum opportunity	Long-term incentive vesting
2022	Paul McDonald	873	44%	0%
2021	Paul McDonald	819	0%	50%
2020	Paul McDonald	1,686	66%	100%
2019	Paul McDonald	928	55%	80%
2018	Paul McDonald	734	80%	84%
2017	Paul McDonald[1]	663	81%	99%
2017	Rob Rennie	213	57%	–
2016	Rob Rennie	484	52%	–
2015	Peter Slabbert	1,676	91%	100%
2014	Peter Slabbert	1,529	91%	96%
2013	Peter Slabbert	1,269	86%	100%

1 Includes remuneration received in the period prior to his appointment as Director in 2017.

Percentage change in remuneration of Directors compared with other employees

The following table shows the percentage change in each Executive and Non-Executive Director's remuneration compared with the average change for all employees of the Company for the 52 weeks ended 1 October 2022. Changes for prior periods are also shown which are building up over time to cover a rolling five-year period.

	Salary/fee			Pension and other benefits			Annual bonus		
	2022	**2021**	**2020**	**2022**	**2021**	**2020**	**2022**[6]	**2021**	**2020**
Paul McDonald	**2.8%**	22.0%	5.1%	**(17.6)%**	15.2%	54.9%	N/A	(100.0)%	25.7%
Nick Keveth	**(48.6)%**	22.8%	5.6%	**(44.8)%**	13.6%	37.2%	N/A	(100.0)%	26.4%
Rich Cashin	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bruce Thompson[1]	**13.6%**	541.7%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Chloe Ponsonby	**(3.0)%**	19.6%	8.8%	N/A	N/A	N/A	N/A	N/A	N/A
Bindi Foyle[2]	**5.3%**	235.3%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Victor Chavez[3]	**19.0%**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pim Vervaat[4]	N/A	(58.9)%	0.0%	N/A	N/A	N/A	N/A	N/A	N/A
David Evans[4]	N/A	(82.9)%	0.0%	N/A	N/A	(100.0)%	N/A	N/A	N/A
All employees[5]	**3.2%**	4.7%	6.0%	**3.9%**	6.8%	6.9%	N/A	(100.0)%	38.2%

1 Bruce Thompson was appointed as Chair on 2 December 2020.

2 Bindi Foyle was appointed to the Board as Non-Executive Director with effect from 1 May 2020 and took over as Chair of the Audit Committee on 29 January 2021.

3 Victor Chavez was appointed to the Board with effect from 1 December 2020.

4 Pim Vervaat and David Evans stepped off the Board on 29 January 2021 and 2 December 2020 respectively.

5 As the only Avon Protection plc employees are the Chief Executive Officer and the Chief Financial Officer, comparative figures for all U.K. employees of the Group have been set out on a voluntary basis. To aid comparison, the group of employees selected are those full time U.K. employees who were employed over the complete two-year period.

6 In 2021 no bonuses were payable to Directors or employees, meaning percentage changes are not applicable for 2022.

Chief Executive Officer to employee pay ratio

The table below sets out the ratio between the total pay of the Chief Executive Officer and the total pay of the employees at the 25th, 50th (median) and 75th percentiles of the U.K. workforce.

Financial period	Method	25th percentile	Median	75th percentile
2022	A	36:1	28:1	19:1
2021*	A	36:1	29:1	20:1

* The 2021 figure has been updated from the figure shown last year to reflect the actual value of vested shares, rather than the estimated value used to calculate the figures last year.

The 25th, 50th and 75th percentile ranked individuals have been identified using Option A in accordance with the reporting regulations, selected on the basis that this provides the most robust and statistically accurate means of identifying the relevant employees. The day by reference to which the 25th, 50th and 75th percentile employees were determined was 1 October 2022. The Chief Executive Officer pay figure is the total remuneration figure as set out in the single figure table and equivalent figures (on a full-time equivalent basis) have been calculated for the relevant 25th, 50th and 75th percentile employees.

The total pay and benefits figures used to calculate the ratios for each of the 25th percentile, median and 75th percentile employees are set out below:

Financial period	25th percentile	Median	75th percentile
2022	£24,460	£30,919	£46,882

The salary element for each of these figures is set out below:

Financial period	25th percentile	Median	75th percentile
2022	£22,896	£28,828	£42,590

The Committee is satisfied that Chief Executive Officer remuneration is reasonable and consistent with the Company's wider policies on employee pay, reward and progression; see page 96 for further details.

ANNUAL REPORT ON REMUNERATION CONTINUED

Relative importance of spend on pay

The following table shows the change in Group expenditure between the current and previous financial periods on remuneration and associated costs for all employees globally, set against distributions to shareholders and other uses of profit or cash flow, being profits retained within the business, investments in research and development and other capital expenditure.

	2022 $m	2021 $m	% change
Overall expenditure on pay (note 6.1)	82.7	78.0	6.0%
Dividends	13.4	12.1	10.7%
Loss retained (loss for the period less dividends and share buyback)	(33.4)	(37.7)	11.4%
R&D expenditure (including capitalised development costs)	10.9	19.1	(42.9)%
Other capital expenditure (excluding capitalised development costs)	3.1	16.6	(81.3)%

Implementation of policy for the 52 weeks ended 30 September 2023

Basic salary

Rich Cashin's base salary will be £358,750, an increase of 2.5%. The wider workforce increase was between 5% and 8%, with the hourly paid workforce receiving 8%.

	2022 £	2023 £
Jos Sclater	–	526,594
Rich Cashin	350,000	358,750

Jos Sclater will join the Board as Chief Executive Officer on 16 January 2023.

Non-Executive Director fees

There are no changes to Non-Executive Director fees.

	2022 £	2023 £
Chair	175,000	175,000
Non-Executive Director	50,000	50,000
Committee Chair	10,000	10,000
Senior Independent Director	10,000*	10,000*

* There is a maximum additional fee of £15,000 if the Senior Independent Director also chairs a Committee.

Benefits

Benefits remain unchanged and include a car allowance, the cost of private health insurance, life insurance, critical illness insurance and executive medical.

Pension

The Executive Directors receive a contribution towards pension of 7.5% of basic salary, paid either as a non-pensionable salary supplement or delivered through the Group's money purchase scheme. This contribution rate is in line with the U.K. workforce rate.

Annual bonus

For the 2023 financial period, the maximum opportunity under the annual bonus plan will be 125% of base salary for both Executive Directors. 25% of the total bonus payment will be deferred into shares for two years.

Bonuses will be based on Group revenue (20%), Group operating profit (40%), a metric based on cash generated by the business (20%) and the achievement of strategic objectives (20%). The actual targets are commercially sensitive and will be disclosed on a retrospective basis.

2023 LTIP awards

The Committee expects to make LTIP awards to senior executives in 2023.

It is expected that the Chief Executive Officer and the Chief Financial Officer will receive awards of 175% and 150% of salary each, respectively. 50% of the awards will be subject to a relative TSR condition versus the constituent of the FTSE 250 excluding Investment Trusts and 50% will be subject to an EPS measure for financial period 2025. The details of the targets and measures to be applied will be communicated in the accompanying RNS when the LTIP awards are made. The EPS element of the award is subject to a ROCE underpin in which the Remuneration Committee retains discretion to reduce the extent of vesting of the EPS element by regard to the Company's ROCE performance or progress over the performance period.

Statement of shareholder voting on the Remuneration Report

The shareholder vote on the Remuneration Report for the 53 weeks ended 2 October 2021 at the AGM which took place on 28 January 2022 was as follows:

Resolution	Votes for (including discretionary)	% for	Votes against (excluding withheld)	% against	Total (excluding withheld and third party discretionary	Withheld
Approval of the Directors' Remuneration Report	22,486,438	99.16%	189,361	0.84%	22,675,799	8,058

This Remuneration Report has been approved by the Board of Directors and signed on its behalf by:

Chloe Ponsonby
Chair of the Remuneration Committee

22 November 2022

GOVERNANCE

The Directors submit the Annual Report and audited financial statements of Avon Protection plc ('the Company') and the Avon Protection group of companies ('the Group') for the year ended 1 October 2022. The Company is a public limited company incorporated and domiciled in England and Wales with company registration number 32965. The Company's subsidiary undertakings, including those located outside the U.K., are listed in note 7.3 of the financial statements.

Strategic Report

The Strategic Report, which contains a review of the Group's business (including by reference to key performance indicators), a description of the principal risks and uncertainties facing the Group, and commentary on likely future developments is set out on pages 10 to 69 and is incorporated into this Directors' Report by reference.

Financial results and dividend

The Group statutory loss for the period after taxation amounts to $7.6 million (2021: loss $25.6 million). Full details are set out in the Consolidated Statement of Comprehensive Income on page 127.

An interim dividend of 14.3 U.S. cents per share (converted to 11.88p) was paid in respect of the year ended 30 September 2022 (2021: 10.34p).

The Directors recommend a final dividend of 30.6 U.S. cents per share, which will be converted into GBP prior to payment to shareholders (2021: 22.51p) resulting in a total dividend distribution per share for the year to 30 September 2022 of 44.9 U.S. cents per share (2021: 44.9c).

Share capital

The Company only has one class of share capital, which comprises ordinary shares of £1 each. On 28 January 2022, the Company announced a Share Buyback Programme, which concluded on 13 April 2022 following the purchase of 765,098 shares. The Board has no present intention of purchasing further shares under the share Buyback Programme. As at 22 November 2022 the Company has 30,258,194 shares in issue, with 765,098 held in treasury, and no shares were issued during the year. All shares forming part of the ordinary share capital have the same rights and carry one vote each. There are no unusual restrictions on the transfer of a share. Further details of the shares in issue during the financial year are set out in note 5.5 of the financial statements.

The full rights and obligations attaching to the Company's shares as well as the powers of Directors are set out in the Company's Articles of Association ('the Articles'), copies of which can be obtained from Companies House or by writing to the Company Secretary. Shareholders are entitled to receive the Company's reports and accounts, to attend and speak at general meetings, to exercise voting rights in person or by appointing a proxy and to receive a dividend where declared or paid out of profits available for that purpose. There are no restrictions on the transfer of issued shares or on the exercise of voting rights attached to them, except where the Company has suspended their voting rights or prohibited their transfer following a failure to respond to a notice to shareholders under section 793 of the Companies Act 2006, or where the holder is precluded from transferring or voting by the Financial Services Authority's Listing Rules or the City Code on Takeovers and Mergers.

The 261,714 shares held in the name of the Employee Share Ownership Trust are held as a hedge against awards previously made or to be made pursuant to the Long-Term Incentive Plan and are held on terms which provide voting rights to the Trustee.

The Company is not aware of any agreements between its shareholders which may restrict the transfer of their shares or the exercise of their voting rights, the only exception to this being that the Trustees of the two Employee Share Ownership Trusts have waived their rights to dividends.

At the Company's last AGM held on 28 January 2022, shareholders authorised the Company to make market purchases of up to 3,102,329 of the Company's issued ordinary shares. 765,098 shares were purchased under this authority during the year. A resolution will be put to shareholders at the forthcoming AGM to renew this authority.

The Directors require authority to allot unissued share capital of the Company and to disapply shareholders' statutory pre-emption rights. Such authorities were granted at the 2022 AGM and resolutions to renew these authorities will be proposed at the 2023 AGM; see explanatory notes on pages 173 to 174. No shares were allotted under this authority during the year.

Substantial shareholdings

As at 1 October 2022 the following shareholders held 3% or more of the Company's issued share capital:

Alantra EQMC Asset Management SGIIC SA	10.43%
Kempen Capital Management Nv	9.67%
Fidelity Management & Research Company	6.37%
Royal London Asset Management Limited	3.83%
The Vanguard Group, Inc.	3.65%
Hargreaves Lansdown Stockbrokers	3.58%
Schroder Investment Management Limited	3.38%
Martin Currie Investment Management Limited	3.25%
Ancora Advisors LLC	3.25%

Significant agreements – change of control

The only significant agreements to which the Company is a party which take effect, alter or terminate upon a change of control of the Company following a takeover bid are the Company's:

- Revolving credit facility agreement
- Long-Term Incentive Plan ('the Plan')

The unsecured revolving credit facility of $200 million provided by Barclays Bank PLC, Comerica Bank Inc., Fifth Third Bank NA, National Westminster Bank plc, CIC and Bank of Ireland contains a provision which, in the event of a change of control of the Company, gives each lending bank the right to cancel its commitments to the Company and to declare all the outstanding amounts and accrued interest owed to such lending bank immediately due and payable. If a lending bank does not exercise this right within 15 business days of being notified of the change of control, it shall not be able to cancel its commitments or require repayment of its share of the amounts outstanding under the facility in respect of such change of control.

A change of control will be deemed to have occurred if any person or group of persons acting in concert (as defined in the City Code on Takeovers and Mergers) gains direct or indirect control of the Company.

Under the rules of the Plan, on a takeover a proportion of each outstanding grant will vest. The number of shares that vest is to be determined by the Remuneration Committee, including by reference to the extent to which the performance condition has been satisfied and the number of months that have passed since the award was made.

It is also possible that the trustee of the pension plan would seek to review the current funding arrangements and deficit recovery plan as part of or following a change of control, particularly if that resulted in a weakening of the employer covenant.

The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a change of control, except in relation to the Long Term Incentive Plan as described above.

Directors

The current Directors as at 22 November 2022 and their biographies are shown on pages 74 and 75. Nick Keveth and Paul McDonald stepped down from the Board on 31 March 2022 and 30 September 2022 respectively. Rich Cashin was appointed Chief Financial Officer on 31 March 2022. Jos Sclater will join the Board as Chief Executive Officer with effect from 16 January 2023.

According to the Articles of Association, all Directors are subject to election by shareholders at the first AGM following their appointment, and to re-election thereafter at intervals of no more than three years. In line with best practice reflected in the U.K. Corporate Governance Code, all current Directors will be standing for re-appointment at the forthcoming AGM to be held on 27 January 2023.

The remuneration of the Directors including their respective shareholdings in the Company is set out in the Remuneration Report on pages 86 to 105.

The Company's rules about the appointment and replacement of Directors, together with the powers of Directors, are contained in the Articles. Changes to the Articles must be approved by special resolution of the shareholders.

Directors' and Officers' indemnity insurance

In accordance with the Company's Articles and subject to the provisions of the Companies Act 2006 ('the Act'), the Company maintains, at its expense, Directors' and Officers' insurance to provide cover in respect of legal action against its Directors. This was in force throughout the financial year and remains in force as at the date of this report.

The Company's Articles allow the Company to provide the Directors with funds to cover the costs incurred in defending legal proceedings. The Company is therefore treated as providing an indemnity for its Directors and Company Secretary which is a qualifying third-party indemnity provision for the purposes of the Act.

Conflicts of interest

During the year no Director held any beneficial interest in any contract significant to the Company's business, other than a contract of employment. The Company has procedures set out in the Articles for managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Group, they are required to notify the Board as soon as reasonably practicable.

Research and development

The Group continues to utilise its technical and materials expertise to remain at the forefront of innovative technology and produce specialist products and services to maximise the performance and capabilities of its customers. The Group maintains its links to key universities in the U.S. and U.K. and continues to work with new and existing customers and suppliers to develop its knowledge and product range. Total Group expenditure on research and development in the year was $10.9 million (2021: $19.1 million), further details of which are contained in the Strategic Report on page 59.

Corporate governance

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 76 to 79. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by cross-reference.

Stakeholder engagement

The Board factors stakeholder opinions and feedback into its decisions to ensure the impact on key stakeholders' needs and concerns is considered. More information on how the Board engages with stakeholders can be found in the Section 172 Statement on pages 38 to 41.

Employee share schemes and plans

The Group encourages its employees to share in the future success of the Group and operates three share-based incentive plans. The Avon Rubber Share Incentive Plan (SIP) is open to all eligible U.K. employees. Under the SIP participants are able to purchase shares in the Company monthly using deductions from their pre-tax pay. The Avon Rubber Employee Stock Purchase Plan (ESPP) is open to all eligible U.S. employees. Under the ESPP, participants are able to purchase shares in the Company at a discounted rate from payroll deductions. The Avon Rubber Long-Term Incentive Plan (LTIP) is designed to align Executive Directors' and senior employees' interests with those of shareholders and to incentivise the delivery of sustainable earnings growth and superior shareholder returns. Discretionary awards are granted under the LTIP over a fixed number of shares by reference to salary, with awards ordinarily vesting, subject to meeting performance criteria, on the third anniversary of the grant date.

Environmental and corporate social responsibility

Matters relating to environmental and corporate social responsibility including reference to our policy on diversity are set out in the new Sustainability Report on pages 42 to 55.

Greenhouse gas emissions

The disclosures concerning greenhouse gas emissions required by law are included in the new Sustainability Report on page 49.

Political and charitable contributions

No political contributions were made during the year or the prior year. Contributions for charitable purposes amounted to $108,403 (2021: $45,132) consisting of numerous small donations to various community charities in Wiltshire, Maryland, Michigan, New Hampshire, California, Ohio and Kentucky, along with sponsorship of Bath Rugby's community programmes.

Policy on employee disability

Avon Protection provides support, training and development opportunities to all our employees irrespective of any disabilities they may have. We give full and fair consideration to disabled applicants, and where an existing employee becomes disabled during their employment, we will make every effort to enable them to continue their employment with Avon Protection in their original or an alternative role.

Financial instruments

An explanation of the Group policies on the use of financial instruments and financial risk management objectives is contained in note 5.4 of the financial statements.

Independent auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

KPMG LLP has expressed its willingness to continue in office as independent auditor and a resolution to re-appoint it and authorising the Board to agree its remuneration will be proposed at the AGM.

Annual General Meeting

The Company's AGM will be held at our Hampton Park West facility, Semington Road, Melksham, Wiltshire SN12 6NB, on 27 January 2023 at 10.30am. Registration will be from 10.00am. The Notice of the AGM and an explanation of the resolutions to be put to the meeting are set out in the Notice of Meeting and can be found on pages 172 to 176.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in [accordance with U.K. adopted International Accounting Standards.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with U.K. adopted International Accounting Standards;
- for the Parent Company financial statements, state whether applicable U.K. accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006.

They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the U.K. governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The Auditor's Report on these financial statements provides no assurance over the ESEF format.

Directors' confirmations

Each of the Directors, whose names and functions are listed on pages 74 and 75, confirms that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Directors' Report and Responsibilities Statement were approved by the Board of Directors on 22 November 2022 and are signed on its behalf by:

Bruce Thompson
Executive Chair

22 November 2022


STAFF
STAFF
STAFF


AVON
Adam

WHAT HAS ENCOURAGED ME TO WORK FOR AVON PROTECTION FOR OVER 15 YEARS? IT WOULD HAVE TO BE THE PEOPLE THAT SURROUND ME, I ENJOY WORKING WITH AND HELPING OTHERS TO MEET OUR TARGETS. I AM PROUD OF THE LIFE-SAVING PRODUCTS WE MANUFACTURE, AND I STRIVE TO ACHIEVE ZERO REJECTS.

Adam Freeland
Production Operator

ADJUSTED PERFORMANCE MEASURES

CONTENTS

PERFORMANCE MEASUREMENT

The Directors assess the operating performance of the Group based on adjusted measures of EBITDA, operating profit, net finance costs, taxation and earnings per share, as well as other measures not defined under IFRS including orders received, closing order book, EBITDA margin, cash conversion, return on capital employed, net debt excluding lease liabilities, and organic constant currency equivalents for relevant metrics. These measures are collectively described as Adjusted Performance Measures (APMs) in this Annual Report.

The Directors believe that the APMs provide a useful comparison of business trends and performance. The APMs exclude exceptional items considered unrelated to the underlying trading performance of the Group. The term adjusted is not defined under IFRS and may not be comparable with similarly titled measures used by other companies.

The Group uses these measures for planning, budgeting and reporting purposes and for its internal assessment of the operational performance.

ADJUSTED PERFORMANCE MEASURES

The following table summarises the statutory and adjusted profit and loss account measures for the period together with the adjustments made to each line item.

	52 weeks ended 1 October 2022			53 weeks ended 2 October 2021		
	Adjusted $m	**Adjustments $m**	**Total $m**	**Adjusted $m**	**Adjustments $m**	**Total $m**
Continuing operations						
Revenue	271.9	–	271.9	248.3	–	248.3
Cost of sales	(192.1)	(1.6)	(193.7)	(165.4)	(4.1)	(169.5)
Gross profit	79.8	(1.6)	78.2	82.9	(4.1)	78.8
Selling and distribution costs	(26.0)	–	(26.0)	(22.2)	–	(22.2)
General and administrative expenses	(43.7)	(10.6)	(54.3)	(38.7)	(46.9)	(85.6)
Operating profit/(loss)	10.1	(12.2)	(2.1)	22.0	(51.0)	(29.0)
EBITDA	25.5	(1.2)	24.3	37.6	9.0	46.6
Depreciation, amortisation and impairment	(15.4)	(11.0)	(26.4)	(15.6)	(60.0)	(75.6)
Operating profit/(loss) (note 1)	10.1	(12.2)	(2.1)	22.0	(51.0)	(29.0)
Net finance costs (note 2)	(4.0)	(2.4)	(6.4)	(3.1)	(3.5)	(6.6)
Profit/(loss) before taxation	6.1	(14.6)	(8.5)	18.9	(54.5)	(35.6)
Taxation (note 3)	0.1	2.8	2.9	(0.3)	11.4	11.1
Profit/(loss) for the period from continuing operations	6.2	(11.8)	(5.6)	18.6	(43.1)	(24.5)
Discontinued operations – loss from discontinued operations (note 4)	–	(2.0)	(2.0)	–	(1.1)	(1.1)
Profit/(loss) for the period (note 5)	6.2	(13.8)	(7.6)	18.6	(44.2)	(25.6)
Basic (loss)/earnings per share	20.4c	(45.5c)	(25.1c)	60.6c	(144.1c)	(83.5c)
Diluted (loss)/earnings per share	20.4c	(45.5c)	(25.1c)	60.6c	(144.1c)	(83.5c)

1 Adjustments to operating loss

Adjusted operating profit excludes exceptional items considered unrelated to the underlying trading performance of the Group. Transactions are classified as exceptional where they relate to an event that falls outside of the underlying trading activities of the business and where individually, or in aggregate, they have a material impact on the financial statements.

	2022 $m	2021 $m
Operating loss	(2.1)	(29.0)
Amortisation of acquired intangibles[1]	6.8	14.2
Items related to armor		
Impairment of acquired intangibles	–	11.3
Impairment of development expenditure	0.2	8.1
Impairment of right of use assets	–	11.7
Impairment of plant and machinery	–	13.9
Impairment of leasehold improvements	–	0.1
Inventory provisions	1.6	1.7
Release of contingent consideration	(3.9)	(15.7)
Transaction costs	0.6	–
Restructuring costs	1.3	
Net (credit)/charge related to armor	(0.2)	31.1
Restructuring costs (including $0.4m right of use asset impairment)	2.0	–
Impairment of non-current assets (excluding $0.4m right of use asset impairment)	3.6	–
Inventory fair value acquisition accounting adjustment	–	2.4
Acquisition costs	–	2.6
Write down of brought forward capitalised cloud computing costs	–	0.7
Other adjusting items	5.6	5.7
Adjusted operating profit	10.1	22.0
Depreciation	9.1	10.4
Other impairment charges	0.4	0.4
Other amortisation charges	5.9	4.8
Adjusted EBITDA	25.5	37.6

1 None of the amortisation charges for acquired intangible assets relate to the armor business following the prior period impairments (2021: $7.3 million).

Amortisation of acquired intangibles

Amortisation charges for acquired intangible assets of $6.8 million (2021: $14.2 million) are considered exceptional as they do not change each period based on underlying business trading and performance.

Items related to armor

On 12 November 2021 the Group announced the next generation VTP ESAPI body armor product had failed first article testing. This followed a similar result in December 2020 for the legacy DLA ESAPI body armor product. It was also announced that the Group was experiencing further delays to achieving final product approval for the DLA ESAPI product.

The failure of the VTP ESAPI body armor product was considered an adjusting event that provided evidence of conditions that existed at the end of the reporting period. As such the Group performed an impairment review of assets at 2 October 2021 removing all future revenue for VTP ESAPI body armor. The review also incorporated reduced revenue expectations for DLA ESAPI.

The review resulted in total non-current asset impairments of $45.1 million in respect of assets relating to the armor business acquired from 3M as part of the ballistic protection acquisition. In addition, inventory provisions of $1.7 million were recognised against VTP ESAPI armor materials.

Offsetting these charges, a gain of $15.7 million was recognised to reduce the net present value of the contingent consideration payable to 3M as a result of the reduced revenue expectations from the DLA ESAPI body armor contract.

In 2022 revenue expectations from the DLA ESAPI body armor contract have further reduced, resulting in an additional gain of $3.9 million on release of the remaining net present value of the contingent consideration payable. Offsetting this credit, inventory provisions of $1.6 million were recognised in respect of raw materials held for the DLA ESAPI body armor contract. In addition, armor-specific development expenditure was impaired by $0.2 million for a small number of reclassified assets (note 3.1).

The impairment charges, provisions and related release of contingent consideration resulted from changes in recoverable amounts and expected future payments arising from assumptions of forecast trading. As such they are considered unrelated to trading performance.

1 Adjustments to operating profit continued

Armor transaction costs

Transaction costs of $0.6 million (2021: $nil) related to a potential sale of the armor business in the first half of 2022. This opportunity is no longer considered to be in the best interest of shareholders. These costs are considered exceptional as they are specific to the wind-down of the armor business and do not form part of the underlying business trading and performance.

Restructuring costs

Restructuring costs related to the overhead reduction programme were $3.3 million (2021: $nil). These costs include a $0.4 million right of use asset impairment relating to the closure of one of our U.S. offices and $0.2 million of professional fees relating to the strategic review of the armor business. These costs are considered exceptional as they relate to a specific programme which does not form part of the underlying business trading and performance.

Impairment of non-current assets

Impairment reviews for the Group's non-current assets resulted in $3.6 million exceptional impairment losses (2021: $nil) as the carrying value of certain cash-generating units exceeded estimated recoverable amounts. Further details are provided in note 3.1. The impairment losses are significant items resulting from changes in assumptions for future recoverable amounts. As such they are considered unrelated to 2022 trading performance.

In the period the Group also recognised $0.4m other non-current asset impairments that were not considered exceptional on the basis of materiality (note 3.1).

Acquisition costs and accounting adjustments

These charges resulted from two significant acquisitions by the Group, which are considered exceptional items as they are material and unrelated to the underlying trading activities of the business:

- 2021 acquisition costs of $2.6 million relating to the acquisitions of Team Wendy and the 3M ballistic protection business.
- Acquisition accounting adjustment of $2.4 million to account for acquired inventory at the underlying historical cost before the fair value adjustments arising on acquisition.

Write down of brought forward capitalised cloud computing costs

In 2021 $0.7 million brought forward capitalised costs relating to cloud computing arrangements were written down. This followed updated guidance from the IFRS Interpretations Committee. The change in guidance was unrelated to the underlying trading performance of the Group; hence, the write down was treated as exceptional. Costs associated with configuration and customisation of cloud computing arrangements after 26 September 2020 have been expensed as incurred and included within adjusted performance measures.

2 Adjustments to net finance costs

Adjusted net finance costs exclude exceptional items considered unrelated to the underlying trading performance of the Group.

	2022 $m	2021 $m
Net finance costs	6.4	6.6
Defined benefit pension unwind discount	(1.3)	(1.3)
Contingent consideration unwind discount	(1.1)	(2.2)
Adjusted net finance costs	4.0	3.1

- $1.3 million (2021: $1.3 million) unwind of discounting on the U.K. defined benefit pension scheme liability is treated as exceptional given the scheme relates to employees employed prior to 31 January 2003 and was closed to future accrual of benefits on 1 October 2009 (note 6.2).
- $1.1 million (2021: $2.2 million) unwind of discounting on contingent consideration related to the acquisition of the 3M ballistic protection business.

3 Adjustments to taxation

Adjustments to taxation represent the tax effects of the adjustments to operating profit and net finance costs. Adjusting items do not have significantly different effective tax rates, with the overall effective rate of 19% (2021: 21%) approximating statutory rates applicable.

4 Loss from discontinued operations

The adjusted profit measures exclude the result from discontinued operations relating to the divestment of milkrite | InterPuls.

During the period, the Group incurred a loss after tax of $2.0 million on these discontinued operations (2021: loss after tax of $1.1 million).

5 Adjustments to loss for the period

	2022 $m	2021 $m
Loss for the period	(7.6)	(25.6)
Amortisation of acquired intangible assets	6.8	14.2
Impairments related to armor assets	0.2	45.1
Armor inventory provisions	1.6	1.7
Release of contingent consideration	(3.9)	(15.7)
Defined benefit pension unwind discount	1.3	1.3
Contingent consideration unwind discount	1.1	2.2
Restructuring costs	3.3	–
Impairment of non-current assets	3.6	–
Transaction costs	0.6	–
Acquisition costs	–	2.6
Inventory fair value acquisition accounting adjustment	–	2.4
Write down of brought forward capitalised cloud computing costs	–	0.7
Tax on exceptional items	(2.8)	(11.4)
Loss from discontinued operations	2.0	1.1
Adjusted profit for the period	6.2	18.6

6 Adjusted earnings per share

Weighted average number of shares	2022	2021
Weighted average number of ordinary shares in issue used in basic calculation (thousands)	30,308	30,669
Potentially dilutive shares (weighted average) (thousands)	221	189
Diluted number of ordinary shares (weighted average) (thousands)	30,529	30,858

Adjusted continuing earnings per share	2022 $ cents	2021 $ cents
Basic	20.4c	60.6
Diluted	20.4c	60.6

7 Net debt

	2022 $m	2021 $m
Cash and cash equivalents	9.5	14.1
Bank loans	(53.7)	(40.9)
Net debt excluding lease liabilities	(44.2)	(26.8)
Lease liabilities	(23.8)	(29.1)
Net debt including lease liabilities	(68.0)	(55.9)

8 Adjusted dividend cover ratio

	2022 $ cents	2021 $ cents
Interim dividend	14.3	14.3
Final dividend	30.6	30.6
Total dividend	44.9	44.9
Adjusted basic earnings per share	20.4	60.6
Adjusted dividend cover ratio	0.5 times	1.3 times

9 Cash conversion

Cash conversion excludes the impact of exceptional items from operating cash flows and EBITDA.

	2022 $m	2021 $m
Cash flows from continuing operations before exceptional items	36.4	31.3
Adjusted EBITDA	25.5	37.6
Cash conversion	142.7%	83.2%

Cash flows from continuing operations before exceptional items	2022 $m	2021 $m
Cash flows from continuing operations	34.8	26.9
Restructuring costs paid	1.0	–
Transaction costs paid	0.6	–
Acquisition and integration costs paid	–	4.4
Cash flows from continuing operations before exceptional items	36.4	31.3

10 Return on capital employed (ROCE)

Return on capital employed (ROCE) is calculated as adjusted operating profit over average capital employed. The following shows the ROCE calculations and reconciling tables:

	2022 $m	2021 $m
Shareholders' funds	210.5	205.4
Current borrowings	4.8	7.5
Non-current liabilities	90.4	145.8
Capital employed	305.7	358.7
Average capital employed	332.2	382.1
Adjusted operating profit	10.1	22.0
Return on capital employed	3.0%	5.8%

Average capital employed	2022 $m	2021 $m
Current period capital employed	305.7	358.7
Prior period capital employed	358.7	405.4
Average capital employed	332.2	382.1

Current borrowings	2022 $m	2021 $m
Current borrowings	4.1	4.0
Current provisions for liabilities and charges	0.7	3.5
Current borrowings for ROCE	4.8	7.5

11 Organic constant currency reporting

Organic constant currency measures remove the impact of acquisitions and changes in exchange rates. Constant currency measures are calculated by translating the prior period at current period exchange rates.

The armor business transacts entirely in USD meaning there is no currency impact for this operating segment.

Group	2022 $m (excluding acquisitions)	2021 $m (constant currency)
Orders received	277.2	281.7
Closing order book	151.3	140.4
Revenue	269.3	246.8
Adjusted EBITDA	24.8	40.3
Adjusted operating profit	9.6	24.9
Adjusted profit before tax	5.6	21.9
Adjusted basic earnings per share	19.1c	70.5c

Respiratory and head protection	2022 $m (excluding acquisitions)	2021 $m (constant currency)
Orders received	265.0	280.0
Closing order book	151.3	113.8
Revenue	260.9	240.3
Adjusted EBITDA	38.1	48.7
Adjusted operating profit	22.9	35.4
Adjusted profit before tax	19.1	32.7
Adjusted basic earnings per share	53.4c	99.8c

U.K. & International	2022 $m (excluding acquisitions)	2021 $m (constant currency)
Revenue	98.8	52.3

> IT IS A GREAT POINT OF PRIDE TO KNOW OUR PRODUCT IS THE LAST LINE OF DEFENSE FOR OUR WORLD'S MILITARIES AND FIRST RESPONDERS. AT THE END OF THE DAY, WE HAVE TWO KEY STRENGTHS, A PRODUCT EVERYONE BELIEVES IN AND A TEAM THAT BELIEVES IN OUR PRODUCT.

Chandlar Gabara
Continuous Improvement Leader

FINANCIAL STATEMENTS

CONTENTS

1. Our opinion is unmodified

We have audited the financial statements of Avon Protection plc ("the Company") for the period ended 1 October 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, and the Consolidated and Parent Company Statements of Changes in Equity, and the related notes, including the accounting policies sections in both the Group and Parent Company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 1 October 2022 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with U.K.-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with U.K. accounting standards including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (U.K.) ("ISAs (U.K.)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 1 February 2019. The period of total uninterrupted engagement is for the 4 financial periods ended 1 October 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, U.K. ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	$1.8 million (2021: $1.5 million) 0.66% (2021: 0.6%) of revenue	
Coverage	100% (2021: 100%) of Group revenue	
Key audit matters **Recurring risks**	**2022 vs 2021** Recoverability of capitalised development expenditure	↓
Parent Company	Recoverability of Parent Company's investment in subsidiaries	↓

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Recoverability of capitalised development expenditure Included within capitalised development expenditure of $21.1 million (2021: $23.2 million) Impairment charges of $2.0 million (2021: $0.3 million) Risk vs 2021: ↓ Refer to page 83 (Audit Committee Report), pages 133 and 135 (accounting policy) and page 142, 143, 144, and 145 (financial disclosures).	**Subjective estimate:** • Within the capitalised development expenditure we identified a number of products with a higher degree of risk around recoverability, including those which have no prior track record of revenue and margin generation, have low headroom, and those awaiting regulatory approval. • The estimated recoverable amount of these intangible assets is supported by forecasting and discounting future cash flows (based on assumptions such as discount rates and revenue growth rates), which are inherently highly judgemental. These uncertainties, combined with the quantum of the development costs balance for the higher risk products, means that the recoverable amount of these development costs is subject to significant estimation uncertainty. • The critical issue is to establish whether there is sufficient demand for the products which generate these cash flows and whether the product will meet the requirements of the customer or required regulatory approval and the timing of this approval, which is inherently subjective as this involves an assessment of the probability of future outcomes. • The effect of these matters is that, as part of our risk assessment, we determined that the estimated recoverable amount of these assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (page 143) disclose the sensitivity estimated by the Group.	Our procedures included: • **Historical comparison:** We assessed the accuracy of the group's forecasting by comparing actual cash flows for products in the period to the prior period forecasts. • For a risk-based selection of products whereby judgements were made by the audit team in respect of said risk-rating, our procedures included: – **Our sector knowledge:** We challenged the detailed forecasts which support the estimated recoverable amount by reference to discussions with project managers on the likelihood and timing of when new products are expected to receive customer or regulatory clearance as compared to what was assumed in the forecasts and the size of the potential market. – **Benchmarking assumptions:** We compared the Group's assumptions to externally derived data in relation to key inputs such as revenue growth rates and discount rates. – **Sensitivity analysis:** We performed sensitivity analysis to determine if reasonably possible changes in discount rates, product margins, and growth rates would result in additional impairments being recognised. • **Assess transparency:** We assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflect the risks inherent in the estimation of the recoverable amount of the development costs. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. We performed an assessment of whether an over/understatement of the recoverability of capitalised development expenditure identified through these procedures was material. **Our results** • We found the development costs balance, and the related impairment charge to be acceptable (2021: We found the development costs excluding armor business related costs balance, and the related impairment charge to be acceptable).

2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Recoverability of Parent Company's investments in subsidiaries (£191.0 million; 2021: £191.0 million) Risk vs 2021: ↓ Refer to page 167 (accounting policy) and page 168 (financial disclosures).	**Low risk, high value** The carrying amount of the Parent Company's investments in subsidiaries represents 95% (2021: 93%) of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.	Our procedures included: • **Tests of detail:** Comparing the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. • **Assessing subsidiary audits:** Assessing the work performed by the subsidiary audit team and the group team on all of those subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets. We performed the tests above rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** We found the Company's conclusion that there is no impairment of its investments in subsidiaries to be acceptable (2021: acceptable).

Impairment of armor business related assets and Business Combinations were identified as event-driven key audit matters in 2021. There has not been any equivalent activity of similar magnitude in the current period and therefore we have not separately identified these areas in our report this period.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at $1.8 million (2021: $1.5 million), determined with reference to a benchmark of total revenue, of which it represents 0.66% (2021: 0.6% of revenue). We consider total revenue to be the most appropriate benchmark as it provides a more stable measure period on period than group loss before tax.

Materiality for the Parent Company financial statements as a whole was set at £1.0 million (2021: £0.8 million), which is the component materiality for the Parent Company determined by the group audit engagement team. This is lower than the materiality we would otherwise have determined with reference to a benchmark of Parent Company total assets, of which it represents 0.5% (2021: 0.4%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% (2021: 65%) of materiality for the Group financial statements as a whole, which equates to $1.17 million (2021: $0.975 million). We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior period.

Performance materiality was set at 75% (2021: 75%) of materiality for the Parent Company financial statements as a whole which equates to £0.75 million (2021: £0.6 million). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $90,000 (2021: $75,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's eight (2021: eight) reporting components, we subjected five (2021: five) to full scope audits for group purposes and one (2021: one) to specified risk-focused audit procedures over cash & cash equivalents (2021: cash & cash equivalents). The latter was not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for the percentages illustrated below. For the residual two components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement.

3. Our application of materiality and an overview of the scope of our audit continued

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from $0.15 million to $1.35 million (2021: $0.15 million to $1.1 million), having regard to the mix of size and risk profile of the Group across the components. The work on one of the components (2021: one of the components) included procedures performed by component auditors and the rest, including the audit of the Parent Company, was performed solely by the Group team. The Group team visited 5 (2021: 5 virtually visited) component locations in the U.K. and U.S., to assess the audit risk and strategy. In the prior year in person visits to component locations were prevented by movement restrictions relating to the COVID-19 pandemic. Video and telephone conference meetings were also held with the component auditors during which the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

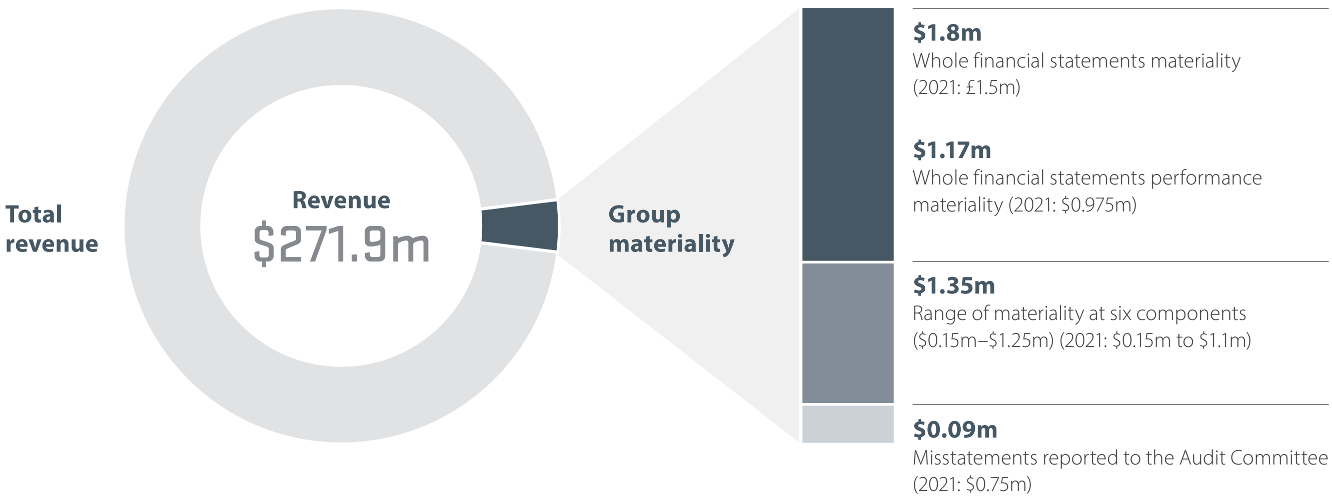
4. The impact of climate change on our audit

In planning our audit we have considered the potential impacts of climate change on the Group's business and its financial statements. With the support of our climate professionals we performed a risk assessment of the impact of climate change on the financial statements and our audit approach.

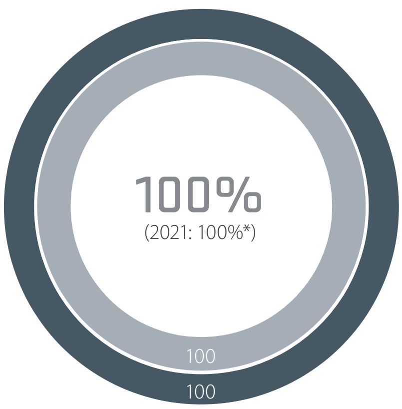
Climate change impacts the Group in a variety of ways including the impact of climate risk on manufacturing and procurement, potential reputational risk associated with the Group's delivery of its climate related initiatives, and greater emphasis on climate related narrative and disclosure in the annual report. The Group's exposure to climate change is primarily through the acquisition of materials in its supply chain and increased costs in relation to manufacturing end products.

Revenue
$271.9m (2021: $248m revenue)

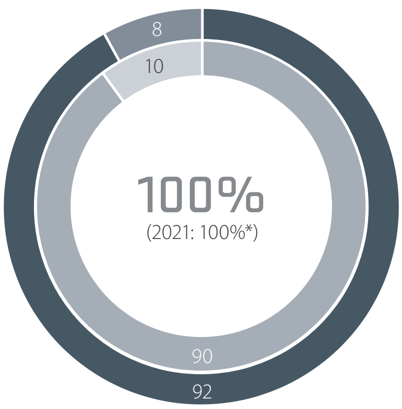
Group materiality
$1.8m (2021: $1.5m)



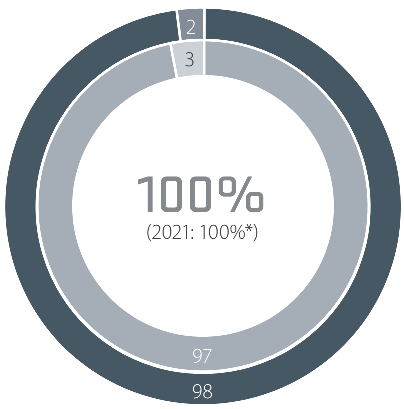
Group revenue



Group loss (2021: loss) before tax



Group total assets



- Full scope for Group audit purposes 2022
- Specified risk-focused audit procedures 2022
- Full scope for Group audit purposes 2021
- Specified risk-focused audit procedures 2021
- Residual components

* In 2022 and 2021, audit coverage is calculated on the above measures to include all operations classed as continuing or discontinued.

4. The impact of climate change on our audit continued

As part of our audit we have made enquiries of management to understand the extent of the potential impact of climate change risk on the Group's financial statements and the Group's preparedness for this.

We have also read the Group's and the Parent Company's disclosure of climate related information in the front half of the annual report as set out on pages 54 to 55. On the basis of the procedures performed above, we concluded that the risk of climate change was not significant when we considered the nature of the assets and relevant contractual terms. As a result, there was no material impact from this on our key audit matters.

We have not been engaged to provide assurance over the accuracy of these disclosures.

5. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources and metrics relevant to debt covenants over this period were:

- inflationary pressures on the Group's cost base;
- the managed exit from the armor business;
- dependence on a large customer or market; and
- disruption to the Group's supply chain;

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group's current and projected cash and facilities (a reverse stress test).

Our procedures also included:

- Comparing past budgets to actual results to assess the Directors' track record of budgeting accurately.
- Inspecting the confirmation from the lender of the level of committed financing including re-financing of existing facilities, and the associated covenant requirements.
- We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the Directors' statement on page 131 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure on page 131 to be acceptable; and
- The related statement under the Listing Rules set out on page 79 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

6. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the Audit Committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit Committee minutes.
- Considering remuneration incentive schemes (annual bonus scheme & performance share plan) and performance targets for management and directors including the total shareholder return target and EPS target for management remuneration.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to the component audit team of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that Group and component management may be in a position to make inappropriate accounting entries.

We also identified a fraud risk related to inappropriate capitalisation of development costs in response to possible pressures to meet profit targets.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual or unexpected accounts.
- For a sample of capitalised development costs, assessing whether the costs had been capitalised against the correct project, measured correctly, and were eligible for capitalisation.
- For a sample of invoices raised around the period end date, assessing whether revenue had been recognised in the appropriate period by comparing to dispatch notes or terms of specific sale agreements.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably. This included communication from the Group audit team to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and pensions regulation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: export control legislation recognising the Governmental nature of many of the group's customers, product regulation, health and safety, employment law, environmental legislation, recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement on page 79 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review Viability Statement, set out on page 79 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

7. We have nothing to report on the other information in the Annual Report continued

Corporate governance disclosures continued

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the U.K. Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

8. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 108, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (U.K.) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Campbell-Orde (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants, 66 Queen Square, Bristol, BS1 4BE

22 November 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

	Note	52 weeks ended 1 October 2022[1] $m	53 weeks ended 2 October 2021[1] $m
Continuing operations			
Revenue	2.1	271.9	248.3
Cost of sales		(193.7)	(169.5)
Gross profit		78.2	78.8
Selling and distribution costs		(26.0)	(22.2)
General and administrative expenses		(54.3)	(85.6)
Operating loss	2.1	(2.1)	(29.0)
Net finance costs	5.2	(6.4)	(6.6)
Loss before taxation	2.5	(8.5)	(35.6)
Taxation	2.6	2.9	11.1
Loss for the period from continuing operations		(5.6)	(24.5)
Discontinued operations			
Loss from discontinued operations	2.2	(2.0)	(1.1)
Loss for the period		(7.6)	(25.6)
Other comprehensive income/(expense)			
Items that are not subsequently reclassified to the income statement			
Remeasurement gain recognised on retirement benefit scheme	6.2	50.1	16.2
Deferred tax relating to retirement benefit scheme	2.6	(9.6)	(3.1)
Deferred tax relating to change in tax rates	2.6	(3.4)	4.1
Deferred tax relating to other temporary differences	2.6	–	0.3
Current tax relating to other temporary differences		(0.1)	–
Items that may be subsequently reclassified to the income statement			
Net exchange differences offset in reserves		0.8	0.6
Cash flow hedges		0.5	–
Current tax relating to cash flow hedges		(0.1)	–
Other comprehensive income for the period		38.2	18.1
Total comprehensive income/(expense)for the period		30.6	(7.5)
Earnings per share	2.3		
Basic		(25.1)c	(83.5)c
Diluted		(25.1)c	(83.5)c
Earnings per share from continuing operations	2.3		
Basic		(18.5)c	(79.9)c
Diluted		(18.5)c	(79.9)c

1 In previous periods, the Group reported financial statements to 30 September, this being the Company's accounting reference date. Headings for the current and prior period now show the actual dates to which the financial statements were drawn up. This has no impact on previously reported numbers.

CONSOLIDATED BALANCE SHEET
AT 1 OCTOBER 2022

	Note	At 1 October 2022[1] $m	At 2 October 2021[1] $m
Assets			
Non-current assets			
Intangible assets	3.1	171.0	181.0
Property, plant and equipment	3.2	39.9	48.6
Deferred tax assets	2.6	26.7	40.2
Derivative financial instruments	5.4	0.3	–
		237.9	269.8
Current assets			
Inventories	4.1	65.6	62.3
Trade and other receivables	4.2	30.6	44.7
Derivative financial instruments	5.4	0.2	–
Current tax receivables		4.2	7.8
Cash and cash equivalents	4.3	9.5	14.1
		110.1	128.9
Liabilities			
Current liabilities			
Borrowings	5.1	4.1	4.0
Trade and other payables	4.4	42.3	40.0
Provisions for liabilities and charges	7.1	0.7	3.5
		47.1	47.5
Net current assets		63.0	81.4
Non-current liabilities			
Borrowings	5.1	73.4	66.0
Deferred tax liabilities	2.6	5.8	6.1
Retirement benefit obligations	6.2	6.3	68.3
Provisions for liabilities and charges	7.1	4.9	5.4
		90.4	145.8
Net assets		210.5	205.4
Shareholders' equity			
Ordinary shares	5.5	50.3	50.3
Share premium account	5.5	54.3	54.3
Other reserves		(14.2)	(15.0)
Cash flow hedging reserve		0.4	–
Retained earnings		119.7	115.8
Total equity		210.5	205.4

1 In previous periods, the Group reported financial statements to 30 September, this being the Company's accounting reference date. Headings for the current and prior period now show the actual dates to which the financial statements were drawn up. This has no impact on previously reported numbers.

These financial statements on pages 127 to 163 were approved by the Board of Directors on 22 November 2022 and signed on its behalf by:

Bruce Thompson
Executive Chair

Rich Cashin
Chief Financial Officer

The accompanying accounting policies and notes form part of these financial statements.

Company number 00032965

CONSOLIDATED CASH FLOW STATEMENT FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

	Note	52 weeks ended 1 October 2022[1] $m	53 weeks ended 2 October 2021[1] $m
Cash flows from operating activities			
Cash flows from continuing operations	4.3	34.8	26.9
Cash flows from discontinued operations	4.3	(1.3)	(3.3)
Cash flows from operations	4.3	33.5	23.6
Retirement benefit deficit recovery contributions	6.2	(8.5)	(2.9)
Tax received/(paid)		3.7	(13.3)
Net cash flows from operating activities		28.7	7.4
Cash flows used in investing activities			
Proceeds from disposal of discontinued operations		–	3.4
Costs of divestment		–	(0.6)
Purchase of property, plant and equipment	3.2	(2.9)	(11.7)
Capitalised development costs and purchased software	3.1	(6.0)	(19.9)
Acquisition of business (2021: net of acquired cash of $1.1m)	7.1	(3.2)	(130.9)
Net cash used in investing activities		(12.1)	(159.7)
Cash flows used in financing activities			
Proceeds from loan drawdowns	5.3	42.9	42.0
Loan repayments	5.3	(30.1)	(40.6)
Finance costs paid in respect of bank loans and overdrafts	5.2	(2.7)	(1.6)
Finance costs paid in respect of leases	5.2	(1.0)	(1.1)
Repayment of lease liability		(4.1)	(3.7)
Dividends paid to shareholders	5.6	(13.4)	(12.1)
Purchase of own shares – Long Term Incentive Plan	5.5	–	(4.3)
Purchase of own shares – Share Buyback Programme	5.5	(12.4)	–
Net cash used in financing activities		(20.8)	(21.4)
Net decrease in cash and cash equivalents		(4.2)	(173.7)
Cash and cash equivalents at the beginning of the period		14.1	187.2
Effects of exchange rate changes		(0.4)	0.6
Cash and cash equivalents at the end of the period	4.3	9.5	14.1

1 In previous periods, the Group reported financial statements to 30 September, this being the Company's accounting reference date. Headings for the current and prior period now show the actual dates to which the financial statements were drawn up. This has no impact on previously reported numbers.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

	Note	Share capital $m	Share premium $m	Hedging reserve $m	Other reserves $m	Retained earnings $m	Total equity $m
At 26 September 2020[1]		50.3	54.3	–	(15.6)	140.5	229.5
Loss for the period		–	–	–	–	(25.6)	(25.6)
Net exchange differences offset in reserves		–	–	–	0.6	–	0.6
Deferred tax relating to other temporary differences	2.6	–	–	–	–	0.3	0.3
Remeasurement gain recognised on retirement benefit scheme	6.2	–	–	–	–	16.2	16.2
Deferred tax relating to change in tax rates	2.6	–	–	–	–	4.1	4.1
Deferred tax relating to retirement benefit scheme	2.6	–	–	–	–	(3.1)	(3.1)
Total comprehensive income/(expense) for the period		–	–	–	0.6	(8.1)	(7.5)
Dividends paid	5.6	–	–	–	–	(12.1)	(12.1)
Own shares acquired	5.5	–	–	–	–	(4.3)	(4.3)
Fair value of share-based payments	6.3	–	–	–	–	0.5	0.5
Current tax relating to employee share schemes charged to equity	2.6	–	–	–	–	1.2	1.2
Deferred tax relating to employee share schemes charged directly to equity	2.6	–	–	–	–	(1.9)	(1.9)
At 2 October 2021[1]		50.3	54.3	–	(15.0)	115.8	205.4
Loss for the period		–	–	–	–	(7.6)	(7.6)
Net exchange differences offset in reserves		–	–	–	0.8	–	0.8
Current tax relating to other temporary differences	2.6	–	–	–	–	(0.1)	(0.1)
Remeasurement gain recognised on retirement benefit scheme	6.2	–	–	–	–	50.1	50.1
Deferred tax relating to change in tax rates	2.6	–	–	–	–	(3.4)	(3.4)
Deferred tax relating to retirement benefit scheme	2.6	–	–	–	–	(9.6)	(9.6)
Interest rate swaps – cash flow hedge	5.4	–	–	0.5	–	–	0.5
Current tax on interest rate swaps – cash flow hedge	2.6	–	–	(0.1)	–	–	(0.1)
Total comprehensive income for the period		–	–	0.4	0.8	29.4	30.6
Dividends paid	5.6	–	–	–	–	(13.4)	(13.4)
Own shares acquired	5.5	–	–	–	–	(12.4)	(12.4)
Fair value of share-based payments	6.3	–	–	–	–	1.0	1.0
Deferred tax relating to employee share schemes charged directly to equity	2.6	–	–	–	–	(0.7)	(0.7)
At 1 October 2022[1]		50.3	54.3	0.4	(14.2)	119.7	210.5

1 In previous periods, the Group reported financial statements to 30 September, this being the Company's accounting reference date. Headings for the current and prior period now show the actual dates to which the financial statements were drawn up. This has no impact on previously reported numbers.

Other reserves consist of the capital redemption reserve of $0.6 million (2021: $0.6 million) and the translation reserve of ($14.8) million (2021: ($15.6) million).

All movements in other reserves relate to the translation reserve.

Section 1 – Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation

Avon Protection plc is a public limited company incorporated and domiciled in England and Wales and its ordinary shares are traded on the London Stock Exchange.

The financial period presents 52 weeks ended 1 October 2022 (prior financial period 53 weeks ended 2 October 2021). The Company previously reported that the reporting date for the latest annual financial statements was 30 September 2021, being the Company's accounting reference date. The actual date to which the financial statements were drawn up was 2 October 2021 and therefore the headings of the financial statements have been amended accordingly. This has no impact on previously reported numbers.

The financial statements have been prepared in accordance with U.K. adopted International Accounting Standards. The financial statements have been prepared under the historical cost convention except for derivative instruments which are held at fair value through profit or loss.

Going concern

The financial statements have been prepared on a going concern basis, which the Directors believe to be appropriate for the following reasons:

The Directors have prepared a going concern assessment covering the 12-month period from the date of approval of these financial statements. The assessment indicates that the Group will have sufficient funds to meet its liabilities as they fall due for that period.

As part of their assessment, the Directors considered a base case and a severe downside scenario involving a 27% decline in bank-determined adjusted EBITDA against the base case. Even in this severe downside scenario, the assessment indicates that the Group will have sufficient funds to meet its liabilities as they fall due, and will continue to comply with its loan covenants, throughout the forecast period. The Group has committed RCF facilities of $200 million (see note 5.1) and related loan covenants include a limit of 3.0 times for the ratio of net debt, excluding lease liabilities, to bank-determined adjusted EBITDA (leverage).

On this basis, the Directors are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the approval of these financial statements. Accordingly the Group and Company continue to adopt the going concern basis in preparing their financial statements.

Revision to IFRS not applicable in 2022

Standards and interpretations issued by the IASB are only applicable if endorsed by the U.K. The Group does not consider that any of the below standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a material impact on the consolidated financial statements:

- IFRS 17 Insurance Contracts (effective date 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Making Materiality Judgements (effective date 1 January 2023)
- Amendments to IAS 37: Onerous Contracts (effective date 1 January 2022)
- Amendments to References to the Conceptual Framework in IFRS 3 (effective date 1 January 2022)
- Amendments to IAS 16 Property, Plant and Equipment (effective date 1 January 2022)
- Annual Improvements to IFRS Standards 2018 – 2020 (effective date 1 January 2022)
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective date 1 January 2023)
- Amendments to IAS 12 income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective date 1 January 2023)

Effective dates are for annual periods beginning on or after the dates stated.

Basis of consolidation

The consolidated financial statements incorporate the financial results and position of the Group and its subsidiaries.

Subsidiaries are those entities over which the Group has power, exposure or rights to variable returns from its involvement with the entity and the ability to use its power to affect the amount of the Group's returns.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date that control ceases.

Inter-group transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

Foreign currencies

The results and financial position of all subsidiaries and associates that have a functional currency different from U.S. dollars are translated into U.S. dollars as follows:

- assets and liabilities are translated at the closing rate at the balance sheet date; and
- income and expenses are translated at an average exchange rate for the month where the relevant rate approximates to the foreign exchange rates ruling at the dates of the transactions.

All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in entities with a functional currency other than U.S. dollars, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When an entity with a functional currency other than U.S. dollars is sold, the cumulative amount of such exchange difference is recognised in the Consolidated Statement of Comprehensive Income as part of the gain or loss on sale.

Foreign currency transactions are initially recorded in an entity's functional currency accounts at the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at exchange rates ruling at the balance sheet date of monetary assets or liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income, except when deferred in equity as qualifying hedges.

Revenue

Revenue recognition

Revenue is measured at the fair value of the consideration which is expected to be received in exchange for goods and services provided, net of trade discounts and sales-related taxes.

Revenue is recognised when all of the following conditions are satisfied:

- a contract exists with a customer;
- the performance obligations within the contract have been identified;
- the transaction price has been determined;
- the transaction price has been allocated to the performance obligations within the contract; and
- revenue is recognised as or when a performance obligation is satisfied.

Revenue continued

Revenue recognition continued

Sale of goods

Revenue from the sale of goods is recognised when control of the goods has transferred to the customer, usually being when the goods have been shipped to the customer in accordance with the contracted shipping terms.

Provision of services

Revenue from a contract to provide services, including customer funded research and development and training, is recognised over time as those services are provided. The Group recognises the amount of revenue from the services provided under a contract with reference to the costs incurred as a proportion of total expected costs.

Contract assets and liabilities

Assets and liabilities arising from contracts with customers are separately identified. Contract assets relate to consideration recognised for work completed but not billed at the balance sheet date. Contract liabilities relate to consideration received but not recognised as revenue at the balance sheet date. See notes 4.2 and 4.4 for further details.

Segment reporting

Segments are identified based on how management monitors the business.

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

Operating segments are aggregated into a single reportable segment only when the segments have similar economic characteristics, and the segments are similar in each of the following respects:

- the nature of the products and services;
- the nature of the production processes;
- the type or class of customer for their products and services;
- the methods used to distribute their products or provide their services; and
- the nature of the regulatory environment.

The Group Executive team, being the Chief Operating Decision Maker, assesses the performance of operating segments based on measures of revenue, adjusted EBITDA and adjusted operating profit, as well as other measures not defined under IFRS including orders received, closing order book, organic revenue growth, EBITDA margin, cash conversion and return on capital employed. Further details on these measures can be found in the Adjusted Performance Measures section.

The Group has, following a reorganisation, two different operating and reportable segments, these being the core respiratory and head protection business and the armor business which is in the process of being wound down. In the prior period, the sole reportable segment was made up of two operating segments, Team Wendy and Avon Protection. Avon Protection has been disaggregated into armor and respiratory and head protection following the decision to close the armor business. Team Wendy has been fully integrated into the wider respiratory and head protection segment in the current financial period.

Employee benefits

Pension obligations and post-retirement benefits

The Group has both defined benefit and defined contribution plans.

The defined benefit plan's asset or liability as recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in the period in which they occur, as part of other comprehensive income. Costs associated with investment management are deducted from the return on plan assets. Other expenses are recognised in the income statement as incurred.

For the defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Contributions are expensed as incurred.

Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives service from employees as consideration for equity instruments (options) of the Group. The fair value of the employee service received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market-based performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Consolidated Statement of Comprehensive Income, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Exceptional items

Transactions are classified as exceptional where they relate to an event that falls outside of the underlying trading activities of the business and where individually or in aggregate they have a material impact on the financial statements.

Intangible assets
Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Identifiable net assets include intangible assets other than goodwill. Any such intangible assets are amortised over their expected future lives unless they are regarded as having an indefinite life, in which case they are not amortised, but subjected to annual impairment testing in a similar manner to goodwill.

Since the transition to IFRS, goodwill arising from acquisitions of subsidiaries after 3 October 1998 is included in intangible assets. It is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill arising from acquisitions of subsidiaries before 3 October 1998, which was set against reserves in the period of acquisition under U.K. GAAP, has not been reinstated and is not included in determining any subsequent profit or loss on disposal of the related entity.

Goodwill is tested for impairment at least annually or whenever there is an indication that the asset may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Any impairment is recognised immediately in the Consolidated Statement of Comprehensive Income. Subsequent reversals of impairment losses for goodwill are not recognised.

Development expenditure
Expenditure in respect of the development of new products where the outcome is assessed as being reasonably certain as regards viability and technical feasibility is capitalised and amortised over the expected useful life of the development (between five and 15 years). Expenditure that does not meet these criteria is expensed as incurred. The capitalised costs are amortised over the estimated period of sale for each product, commencing in the period in which the product is available for sale. Development costs capitalised are tested for impairment annually where not yet ready for use or whenever there is an indication that the asset may be impaired. Any impairment is recognised immediately in the Consolidated Statement of Comprehensive Income.

U.K. development costs have not been treated as a realised loss by the Directors as they relate to specific R&D projects from which the Group is expected to obtain significant economic benefit in the future.

Computer software
Computer software is included in intangible assets at cost and amortised over its estimated life of three to ten years.

Other intangible assets
Other intangible assets that are acquired by the Group as part of business combinations are stated at cost less accumulated amortisation and impairment losses. The useful lives take account of the differing natures of each of the assets acquired.

The lives used are:

- Brands and trademarks – four to 15 years
- Customer relationships – three to 14 years
- Order backlog – three months to one year
- Technology and licence agreements – two to ten years

Amortisation is charged on a straight-line basis over the estimated useful lives of the assets through general and administrative expenses.

Property, plant and equipment
Property, plant and equipment is stated at historical cost or deemed cost where IFRS 1 exemptions have been applied, less accumulated depreciation and any recognised impairment losses.

Costs include the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use including any qualifying finance expenses.

Land is not depreciated. Depreciation is provided on other assets estimated to write down the depreciable amount of relevant assets by equal annual instalments over their estimated useful lives.

In general, the lives used are:

- Freehold – 40 years
- Leasehold property – over the period of the lease
- Plant and machinery:
  - Computer hardware and motor vehicles – three years
  - Presses – 15 years
  - Other plant and machinery – five to ten years

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated net realisable value. Gains and losses on disposal are determined by comparing proceeds with carrying amounts. These are included in the Consolidated Statement of Comprehensive Income.

Leases
Right of use assets and lease liabilities are recognised at the commencement date of the contract for all leases conveying the right to control the associated asset for a period of time.

The right of use assets are initially measured at cost, which comprises the initial measurement of the lease liability plus an estimate of dilapidation provisions (note 7.1) where required. Subsequently the right of use assets are measured at cost less accumulated depreciation, any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

Depreciation is calculated on a straight-line basis over the life of the lease. In general the lives used are:

- Leasehold property – period of the lease

The lease liability is initially measured at the present value of the lease payments due over the life of the lease. The lease payments are discounted at the rate implicit in the lease or if that is not readily determined using the Group's incremental borrowing rate.

The lease term is determined with reference to any non-cancellable period of lease contracts plus any periods covered by an option to extend/terminate the lease if it is considered reasonably certain that the option will/will not be exercised. In concluding whether or not it is reasonably certain an option will be exercised for new leases management has considered the three-year strategic outlook for the Group and other operational factors.

Subsequently the lease liability is measured by increasing the carrying value to reflect interest on the liability and reducing the carrying value to reflect lease payments made.

The carrying value of lease liabilities and associated assets will be remeasured to reflect any changes to the lease or other assumptions applied.

Leases continued

The Group acts as an intermediate lessor for certain properties, and accounts for its interests in relevant head leases and subleases separately. Lease classification of the sublease between finance and operating is assessed with reference to the right of use asset arising from the head lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable incremental selling expenses.

Financial instruments

Recognition and initial measurement

Trade receivables are initially recognised when they are originated and measured at the transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are initially recognised at fair value. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument and measured at fair value.

Classification and subsequent measurement

Trade and other receivables and trade and other payables are classified as measured at amortised cost.

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets (as defined in IFRS 15).

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL; see note 5.4 for more details.

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Cash and cash equivalents include cash at bank and in hand and highly liquid interest-bearing securities with maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Derivative financial instruments and hedging

The Group classifies outstanding forward exchange contracts, interest rate swaps and corresponding hedged items as cash flow hedges and states them at fair value through the Consolidated Statement of Comprehensive Income. Any ineffective portion of the hedge is recognised immediately in the income statement. See note 5.4 for more details.

Impairment

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. See note 5.4 for details.

Provisions

Provisions are recognised when:

- the Group has a legal or constructive obligation as a result of a past event; and
- it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, for example where a warranty has been given, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently stated at amortised cost. Borrowing costs are expensed using the effective interest method.

Taxation

Income tax on the profit or loss for the period comprises current and deferred tax.

Taxable profit differs from accounting profit because it excludes certain items of income and expense that are recognised in the financial statements but are treated differently for tax purposes. Current tax is the amount of tax expected to be payable or receivable on the taxable profit or loss for the current period. This amount is then amended for any adjustments in respect of prior periods.

Current tax is calculated using tax rates that have been written into law ('enacted') or irrevocably announced/committed by the respective government ('substantively enacted') at the period end date. Current tax receivable (assets) and payable (liabilities) are offset only when there is a legal right to settle them net and the entity intends to do so. This is generally true when the taxes are levied by the same tax authority.

Because of the differences between accounting and taxable profits and losses reported in each period, temporary differences arise on the amount certain assets and liabilities are carried at for accounting purposes and their respective tax values. Deferred tax is the amount of tax payable or recoverable on these temporary differences.

Deferred tax liabilities arise where the carrying amount of an asset is higher than the tax value (more tax deduction has been taken). This can happen where the Group invests in capital assets, as governments often encourage investment by allowing tax depreciation to be recognised faster than accounting depreciation. This reduces the tax value of the asset relative to its accounting carrying amount. Deferred tax liabilities are generally provided on all taxable temporary differences. The periods over which such temporary differences reverse will vary depending on the life of the related asset or liability.

Deferred tax assets arise where the carrying amount of an asset is lower than the tax value (less tax benefit has been taken). This can happen where the Group has trading losses, which cannot be offset in the current period but can be carried forward. Deferred tax assets are recognised only where the Group considers it probable that it will be able to use such losses by offsetting them against future taxable profits.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Taxation continued

Taxable temporary differences can also arise on investments in foreign subsidiaries and associates, and interests in joint ventures. Where the Group is able to control the reversal of these differences and it is probable that these will not reverse in the foreseeable future, then no deferred tax is provided. Deferred tax is calculated using the enacted or substantively enacted rates that are expected to apply when the asset is realised or the liability is settled. Similarly to current taxes, deferred tax assets and liabilities are offset only when there is a legal right to settle them net and the entity intends to do so. This normally requires both assets and liabilities to have arisen in the same country.

Income tax expense reported in the financial statements comprises current tax as well as the effects of changes in deferred tax assets and liabilities. Tax expense/credits are generally recognised in the same place as the items to which they relate. For example, the tax associated with a gain on disposal is recognised in the income statement, in line with the gain on disposal. Equally, the tax associated with pension obligation actuarial gains and losses is recognised in other comprehensive income, in line with the actuarial gains and losses.

Dividends

Final dividends are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by shareholders, while interim dividends are recognised in the period in which the dividends are paid.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Business combinations

Business combinations are accounted for using the acquisition accounting method. Identifiable assets and liabilities acquired are measured at fair value at acquisition date. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. Unwinding of discount on contingent consideration is included within finance costs. Changes to the fair value arising from changes in the contingent element, for example, expected cash to be paid, or timing of when payments will be made, are included in general and administrative expenses.

Significant accounting judgements and estimates

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The key areas where assumptions and estimates are significant to the financial statements are disclosed below.

Judgements and estimates

Development costs

The Group capitalises the development costs of new products and processes as intangible assets or property, plant and equipment. Initial capitalisation and any subsequent impairment are based on management's judgement of technological and economic feasibility, including regulatory approvals required and forecast customer demand. In determining the amounts to be capitalised the Group makes estimates regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. If either technological or economic feasibility is not demonstrated then the capitalised costs will be written off to the income statement.

Intangible assets are tested for impairment by grouping development assets into the smallest identifiable group of assets generating future cash flows largely independent from other assets (CGUs). Included in these CGUs are development expenditure, tangible assets related to the product group and acquired intangibles where associated with the development project.

Significant judgements and estimates made and sensitivity in respect of the assumptions used that could have a significant impact on the carrying value of assets in determining the carrying amount of development costs at the balance sheet date are disclosed in note 3.1.

Estimating the defined benefit pension scheme assets and obligations

Measurement of defined benefit pension obligations requires estimation of future changes in inflation and mortality rates, and the selection of a suitable discount rate.

The investments held by the pension scheme include both quoted and unquoted securities, the latter which by their nature involve assumptions and estimates to determine their fair value. Where there is not an active market for the unquoted securities the fair value of these assets is estimated by the pension trustees based on advice received from the investment manager whilst also using any available market evidence of any recent transactions for an identical asset. The assumptions used in valuing unquoted investments are affected by current market conditions and trends which could result in changes in fair value after the measurement date.

See note 6.2 for further details.

Section 2 – Results for the period

Within this section you will find disclosures explaining the Group's results for the period, segmental information, earnings per share and taxation, as well as details of the discontinued operations.

2.1 Operating segments

The Group Executive team is responsible for allocating resources and assessing performance of the operating segments. Operating segments are therefore reported in a manner consistent with the internal reporting provided to the Group Executive team.

The Group has, following a reorganisation, two different operating and reportable segments, these being the core respiratory and head protection business and the armor business which is in the process of being wound down. In the prior period, the sole reportable segment was made up of two operating segments, Team Wendy and Avon Protection. Avon Protection has been disaggregated into armor and respiratory and head protection following the decision to close the armor business. Team Wendy has been fully integrated into the wider respiratory and head protection segment.

	52 weeks ended 1 October 2022			
	Armor $m	**Respiratory and head protection $m**	**Adjustments and discontinued[1] $m**	**Total $m**
Revenue	8.4	263.5	–	271.9
Adjusted EBITDA	(13.3)	38.8	(1.2)	24.3
Depreciation and amortisation	–	(15.0)	–	(15.0)
Impairment charges	–	(0.4)	(4.2)	(4.6)
Amortisation of acquired intangibles	–	–	(6.8)	(6.8)
Operating (loss)/profit	(13.3)	23.4	(12.2)	(2.1)
Finance costs	(0.3)	(3.7)	(2.4)	(6.4)
(Loss)/profit before taxation	(13.6)	19.7	(14.6)	(8.5)
Taxation	3.2	(3.1)	2.8	2.9
(Loss)/profit for the period from continuing operations	(10.4)	16.6	(11.8)	(5.6)
Discontinued operations – loss for the year	–	–	(2.0)	(2.0)
(Loss)/profit for the year	(10.4)	16.6	(13.8)	(7.6)
Total assets	23.2	324.8	–	348.0
Basic earnings per share (cents)	(34.3)c	54.7c	(45.5)c	(25.1)c
Diluted earnings per share (cents)	(34.3)c	54.7c	(45.5)c	(25.1)c

	53 weeks ended 2 October 2021			
	Armor $m	**Respiratory and head protection $m**	**Adjustments and discontinued[1] $m**	**Total $m**
Revenue	6.5	241.8	–	248.3
Adjusted EBITDA	(8.4)	46.0	9.0	46.6
Depreciation and amortisation	(2.1)	(13.1)	–	(15.2)
Impairment charges	–	(0.4)	(45.8)	(46.2)
Amortisation of acquired intangibles	–	–	(14.2)	(14.2)
Operating (loss)/profit	(10.5)	32.5	(51.0)	(29.0)
Finance costs	(0.3)	(2.8)	(3.5)	(6.6)
(Loss)/profit before taxation	(10.8)	29.7	(54.5)	(35.6)
Taxation	2.3	(2.6)	11.4	11.1
(Loss)/profit for the year from continuing operations	(8.5)	27.1	(43.1)	(24.5)
Discontinued operations – loss for the year	–	–	(1.1)	(1.1)
(Loss)/profit for the year	(8.5)	27.1	(44.2)	(25.6)
Total assets	14.5	384.2	–	398.7
Basic earnings per share (cents)	(27.7)c	88.3c	(144.1)c	(83.5)c
Diluted earnings per share (cents)	(27.7)c	88.3c	(144.1)c	(83.5)c

1 Please refer to Adjusted Performance Measures section for a full breakdown of adjusted measures, including a reconciliation between adjusted EBITDA and statutory operating profit by line item on page 113.

Revenue includes $107.1 million (2021: $130.8 million) of revenues from the U.S. DOD, sold directly and through indirect channels, the only customer which individually contributes more than 10% to Group revenues.

Section 2 – Results for the period continued

2.1 Operating segments continued

Revenue analysed by geographic origin

	2022 $m	2021 $m
Europe	73.0	32.3
U.S.	198.9	216.0
Total	271.9	248.3

Revenue by line of business – restated[1]

	52 weeks ended 1 October 2022				53 weeks ended 2 October 2021[1]			
	Respiratory $m	Head protection $m	Armor $m	Total $m	Respiratory $m	Head protection $m	Armor $m	Total $m
U.S. DOD	63.2	35.5	8.4	107.1	86.1	39.1	6.5	131.7
Commercial Americas	40.5	25.2	–	65.7	40.4	22.4	–	62.8
U.K. & International	89.3	9.8	–	99.1	42.1	11.7	–	53.8
	193.0	70.5	8.4	271.9	168.6	73.2	6.5	248.3

1 Following a re-organisation and further integration of Team Wendy, the Group classifies revenue into U.S. DOD (comprising all U.S. military revenue), Commercial Americas (which includes U.S. first responder plus all revenue from other parts of the Americas), and U.K. & International (comprising all revenue outside the continents of America). Prior period figures have been reclassified so they are presented on a consistent basis with the current period.

Revenue by nature of performance obligation

	2022 $m	2021 $m
Sale of goods[1]	270.7	246.5
Provision of services[2]	1.2	1.8
	271.9	248.3

1 Products transferred to the customer and therefore revenue recognised at a point in time.

2 Products and services transferred over time and therefore revenue recognised over that period of time.

2.2 Discontinued operations

In September 2020 the Group disposed of the entire milkrite | InterPuls business. As a result of the divestment the milkrite | InterPuls business has been classified as discontinued. As part of the sale and purchase agreement, the Group entered into a Manufacturing Service Agreement with the purchasers of milkrite | InterPuls to provide ongoing manufacturing whilst arrangements are made to relocate manufacturing equipment from our U.K. facility. The Group also entered into agreements to provide certain other information technology and administrative services under a 12-month Transitional Services Agreement which has now concluded. As the activities under these agreements are not part of the continuing operations of the Group, the revenue and costs during the period associated with these agreements have been classified as discontinued operations.

The results of discontinued operations are as follows:

	2022 $m	2021 $m
Revenue	3.2	4.1
Cost of sales	(5.8)	(5.3)
Gross loss	(2.6)	(1.2)
General and administrative expenses	–	(0.9)
Operating loss	(2.6)	(2.1)
Finance costs	–	–
Loss before taxation	(2.6)	(2.1)
Taxation	0.6	1.0
Loss from discontinued operations	(2.0)	(1.1)
Basic earnings per share	(6.6c)	(3.6c)
Diluted earnings per share	(6.6c)	(3.6c)

FINANCIAL STATEMENTS

Section 2 – Results for the period continued

2.2 Discontinued operations continued

Cash flows from discontinued operations included in the cash flow statement are as follows:

	2022 $m	2021 $m
Net cash flows from operating activities	(1.3)	(3.3)
Net cash flows from investing activities	–	2.8
Net cash flows from discontinued operations	(1.3)	(0.5)

2.3 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 period, excluding those held in the employee share ownership trust. The Company has dilutive potential ordinary shares in respect of the Performance Share Plan.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below. As the Group was loss making on a statutory basis in the current and prior periods, basic and diluted earnings per share are equivalent.

Weighted average number of shares	2022	2021
Weighted average number of ordinary shares in issue used in basic calculations ('000)	30,308	30,669
Potentially dilutive shares (weighted average) ('000)	221	189
Diluted number of ordinary shares (weighted average) ('000)	30,529	30,858

Earnings	2022 $m	2021 $m
Basic	(7.6)	(25.6)
Basic – continuing operations	(5.6)	(24.5)
Basic – discontinued operations	(2.0)	(1.1)

Earnings per share	2022 $ cents	2021 $ cents
Basic	(25.1)	(83.5)
Basic – continuing operations	(18.5)	(79.9)
Basic – discontinued operations	(6.6)	(3.6)
Diluted	(25.1)	(83.5)
Diluted – continuing operations	(18.5)	(79.9)
Diluted – discontinued operations	(6.6)	(3.6)

Section 2 – Results for the period continued

2.4 Expenses by nature

	2022 $m	2021 $m
Employee and other staff costs[1]	81.7	67.1
Legal and professional fees	10.9	9.7
Depreciation and amortisation charges (notes 3.1 and 3.2)	21.8	29.4
Impairment charges (including $0.4m restructuring-related impairment)	4.6	46.2
Exchange differences	0.3	1.9
Transportation expenses	9.2	7.0
Material costs	109.7	92.0
Release of contingent consideration	(3.9)	(15.7)
Acquisition related costs	–	2.6
Restructuring costs (excluding $0.4m restructuring-related impairment)	2.9	–
Transaction costs	0.6	–
Other expenses	36.2	37.1
Total cost of sales, selling and distribution costs and general and administrative expenses	274.0	277.3

1 Employee costs disclosed in note 2.4 are presented on a continuing basis for all staff-related costs expensed to the Consolidated Statement of Comprehensive Income. They do not therefore reconcile to note 6.1

Expenses include $3.8 million (2021: $1.8 million) of staff costs and overheads in relation to expensed research and development expenditure.

2.5 (Loss)/profit before taxation

	2022 $m	2021 $m
(Loss)/profit before taxation is shown after charging/(crediting):		
Loss on disposal of property, plant and equipment	–	–
Repairs and maintenance of property, plant and equipment	4.2	0.5
Research and development	3.8	1.8
Impairment of trade receivables (note 5.4)	0.1	(0.2)
Services provided to the Group (including its overseas subsidiaries) by the Company's auditor:		
Audit fees in respect of the audit of the accounts of the Group including subsidiaries	1.0	0.6
Audit fees in respect of the audit of the accounts of the Parent Company	0.2	0.2
Total audit fees	1.2	0.8

FINANCIAL STATEMENTS

Section 2 – Results for the period continued

2.6 Taxation

	2022 $m	2021 $m
U.K. current tax	0.7	0.4
U.K. adjustment in respect of previous periods	(0.6)	–
Overseas current tax	0.1	(2.7)
Overseas adjustment in respect of previous periods	0.1	(0.6)
Total current tax charge/(credit)	0.3	(2.9)
Deferred tax – current period	(4.1)	(6.5)
Deferred tax – adjustment in respect of previous periods	0.9	(1.7)
Total deferred tax charge	(3.2)	(8.2)
Total tax credit	(2.9)	(11.1)

The overseas adjustment in respect of the prior period of $0.1 million (2021: credit of $0.6 million) includes a $0.3 million credit in connection with the resolution of a number of prior period uncertain tax positions (2021: $0.3 million).

The above table excludes tax on discontinued operations which amounted to a credit of $0.6 million in the current period (2021: credit of $1.0 million).

The U.K. Budget Announcement on 3 March 2021 stated that the corporation tax rate would increase to 25% (effective 1 April 2023); this increase was substantively enacted on 14 May 2021 and will increase the Company's future current tax charge accordingly. The impact of this increase is also reflected in these financial statements for all U.K. deferred tax assets.

The tax on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the standard U.K. tax rate applicable to profits of the consolidated entities as follows:

	2022 $m	2021 $m
Loss before taxation	(8.5)	(35.6)
Taxation at the average standard rate of 19.0% (2021: 19.0%)	(1.6)	(6.8)
Tax allowances (U.K. and U.S.)	(0.4)	(0.3)
Non-deductible expenses	0.2	0.2
Changes in tax rates	(0.8)	(0.9)
Differences in overseas tax rates	(0.7)	(0.7)
Adjustment in respect of previous periods	0.4	(2.6)
Total tax credit	(2.9)	(11.1)

The income tax charged directly to other comprehensive income during the period was $0.2 million (2021: credit of $1.2 million). The deferred tax charged directly to other comprehensive income during the period was $15.7 million (2021: credit of $2.6 million). The deferred tax charged directly to equity during the period was $0.7 million (2021: $1.9 million).

Deferred tax liabilities

	Accelerated capital allowances $m	Total $m
At 26 September 2020	5.6	5.6
Charged to profit for the period	0.5	0.5
At 2 October 2021	6.1	6.1
Credited to profit for the period	(0.3)	(0.3)
At 1 October 2022	5.8	5.8

Section 2 – Results for the period continued

2.6 Taxation continued

Deferred tax assets

Deferred tax assets have been recognised in respect of temporary differences giving rise to deferred tax assets where it is probable that these assets will be recovered.

	Retirement benefit obligation $m	Share options $m	Accelerated capital allowances $m	Tax losses $m	Pension spreading $m	Intangibles $m	Right of Use Assets $m	Other temporary differences $m	Total $m
At 26 September 2020	15.1	2.9	0.1	1.2	3.7	2.5	0.5	3.7	29.7
Credited/(charged) against profit for the period	–	0.1	(0.1)	3.4	(1.3)	5.0	2.8	(1.0)	8.9
Impact of change in tax rates credited to profit for the period	–	–	–	0.6	0.2	–	0.1	–	0.9
(Charged)/credited to other comprehensive income	(3.1)	–	–	–	–	–	–	0.3	(2.8)
Impact of change in tax rates credited to other comprehensive income	4.1	–	–	–	–	–	–	–	4.1
Exchange differences offset in reserves	1.0	0.2	–	(0.1)	0.2	–	–	–	1.3
Charged to equity	–	(1.9)	–	–	–	–	–	–	(1.9)
At 2 October 2021	17.1	1.3	–	5.1	2.8	7.5	3.4	3.0	40.2
Credited/(charged) against profit for the period	(1.2)	0.2	–	1.9	(0.4)	(1.6)	(0.2)	4.4	3.1
Impact of change in tax rates credited to profit for the period	–	–	–	–	(0.2)	–	–	–	(0.2)
Charged to other comprehensive income	(9.6)	–	–	–	–	–	–	–	(9.6)
Impact of change in tax rates charged to other comprehensive income	(3.4)	–	–	–	–	–	–	–	(3.4)
Exchange differences offset in reserves	(1.3)	(0.2)	–	(0.6)	(0.1)	–	–	(0.5)	(2.7)
Charged to equity	–	(0.7)	–	–	–	–	–	–	(0.7)
At 1 October 2022	1.6	0.6	–	6.4	2.1	5.9	3.2	6.9	26.7

The standard rate of corporation tax in the U.K. is 19%. The Group has unrecognised deferred tax assets of $3.8 million (2021: $4.7 million) in respect of capital losses where it is not considered that there will be sufficient available future profits to utilise these losses. The gross amount of unrecognised deferred tax assets is $15.2 million and has no expiry date.

Deferred tax on pension spreading relates to excess pension contributions made in the previous periods and in the current period for which tax relief is spread across four years.

$2.8 million (2021: $1.6 million) of the deferred tax asset within other temporary differences relates to inventory reserves and differing cost capitalisation rules for accounting and tax purposes. $1.8 million of deferred taxes within other temporary differences relates to the deductability of business interest expense under IRC Section 163(j), with the remainder of other temporary differences relating to a number of smaller timing differences between the tax and accounting treatment.

Section 3 – Non-current assets

3.1 Intangible assets

	Goodwill $m	Acquired intangibles $m	Development expenditure $m	Computer software $m	Total $m
At 26 September 2020					
Cost	30.3	46.5	49.4	10.2	136.4
Accumulated amortisation and impairment	–	(13.8)	(29.0)	(4.2)	(47.0)
Net book amount	30.3	32.7	20.4	6.0	89.4
53 weeks ended 2 October 2021					
Opening net book amount	30.3	32.7	20.4	6.0	89.4
Exchange differences	0.2	–	0.2	0.6	1.0
Additions	–	–	15.0	4.9	19.9
Acquisitions	58.3	51.7	–	0.1	110.1
Armor-related impairments	–	(11.3)	(8.1)	–	(19.4)
Other impairments	–	–	(0.3)[1]	(0.7)[2]	(1.0)
Amortisation	–	(14.2)	(4.0)	(0.8)	(19.0)
Closing net book amount	88.8	58.9	23.2	10.1	181.0
At 2 October 2021					
Cost	88.8	98.2	64.6	15.1	266.7
Accumulated amortisation and impairment	–	(39.3)	(41.4)	(5.0)	(85.7)
Net book amount	88.8	58.9	23.2	10.1	181.0
52 weeks ended 1 October 2022					
Opening net book amount	88.8	58.9	23.2	10.1	181.0
Exchange differences	(0.1)	–	(1.2)	–	(1.3)
Additions	–	–	5.8	0.2	6.0
Impairments	–	–	(2.0)	–	(2.0)
Amortisation	–	(6.8)	(4.7)	(1.2)	(12.7)
Closing net book amount	88.7	52.1	21.1	9.1	171.0
At 1 October 2022					
Cost	88.7	98.2	69.2	15.3	271.4
Accumulated amortisation and impairment	–	(46.1)	(48.1)	(6.2)	(100.4)
Net book amount	88.7	52.1	21.1	9.1	171.0

1 An ongoing development project was written off during the prior period as a tender to obtain additional third party funding was not successful.

2 Computer software includes the write down of $0.7 million brought forward capitalised costs relating to the configuration and customisation costs in cloud computing arrangements; see adjusted performance measures.

The remaining useful economic life of the development expenditure is between four and ten years.

Section 3 – Non-current assets continued

3.1 Intangible assets continued

Impairment review

Development costs

The Group tests development cost assets not yet ready for use annually for impairment, or more frequently if there are indications of impairment.

Intangible assets are tested for impairment by grouping development assets into the smallest identifiable group of assets generating future cash flows largely independent from other assets (CGUs). Included in these CGUs are development expenditure as well as tangible assets related to the product group. The CGUs have been tested against their recoverable amount deemed to be their value in use. Cash flows were discounted to give a present value using pre-tax discount rates ranging between 17.5% and 29.1% (2021: 10.4%–37.2%) depending on the deemed associated risk profiles of each CGU. Discount factors applied to each CGU change year on year, driven by varying market factors and perceived risk profiles for each CGU. The increase of the risk-free rate in the current financial period has led to increased discount factors.

As a result of the review for the period, the following impairment charges were identified:

- General Service Respirator (GSR), fully impaired by $2.9 million due to a change made on costing assumptions and forecast cash flow periods, driven by changes in market factors ($0.7 million development expenditure, $2.2 million plant and machinery);
- other respiratory asset development expenditure, impaired by $1.1 million due to a change in expected forecast cash flows and changing market factors. $0.7 million of these impairments were considered exceptional, due to their materiality (see alternative performance measures); and
- armor-specific development expenditure, exceptionally impaired by $0.2 million for a small number of reclassified assets.

Following the impairment charges recognised, recoverable amounts were equal to carrying amounts.

For the GSR the following key assumptions were used as part of the value in use analysis:

- a pre-tax discount rate of 24.1%; and
- cash flow over a period of 2.5 years, including an assumption of contractual extensions and improved gross profit margins.

Sensitivity analysis has shown that if operating profit margins for this product improved by a further 25% in the extended contract periods, a full impairment would still need to be recognised.

Sensitivity analysis on other respiratory assets has shown that a decrease in forecast net cash flows from the relevant product range by 10% would lead to an additional impairment of $0.2m.

At the year end $12.2 million of development costs relate to technology under development (2021: $13.0 million), including $1.5 million subject to final feasibility tests (2021: $3.9 million). If final feasibility tests are unsuccessful or delayed such that the projected economic benefit will not be achieved in the asset's lifetime, these costs, along with associated assets, could be subject to impairment.

New product development in its early development stages is subject to assumptions made regarding demands in the market. If such demand did not materialise approximately 9% of capitalised development costs ($1.9 million) could be subject to impairment, along with associated assets (2021: $1.0 million).

Goodwill impairment testing

Separately, goodwill was tested for impairment by comparing the carrying values against the value in use of the relevant CGU group, being the respiratory and head protection operating segment which is now the only operating segment with goodwill (see goodwill section below). The value in use calculations were based on projected cash flows derived from the latest three-year plan approved by the Board. Cash flows for beyond three years for the respiratory and head protection CGU were projected to grow by 2.0% p.a. Cash flows were discounted to give a present value using a pre-tax discount rate of 14.3% (2021: 8.9%). The post-tax discount rate applied across the Group was 9.9% (2021: 7.4%). These discount rates were derived using external expert advice taking into consideration current market conditions based on U.S. market data.

Sensitivity analysis demonstrates that a decrease in forecast EBITDA of more than 31% (2021: 58%) could be sustained before an impairment may be required. In addition, increasing the discount rate by 2% would not lead to any indications of impairment.

2021 armor-related impairments

On 12 November 2021 the Group announced the next generation VTP ESAPI body armor product had failed first article testing. This followed a similar result in December 2020 for the legacy DLA ESAPI body armor product. It was also announced that the Group was experiencing further delays to achieving final product approval for the DLA ESAPI product.

The failure of the VTP ESAPI body armor product was considered an adjusting event that provides evidence of conditions that existed at the end of the reporting period. As such the Group's impairment review of assets at 2 October 2021 included the removal of all future revenue for VTP ESAPI body armor. The impairment review also incorporated reduced revenue expectations for DLA ESAPI.

Section 3 – Non-current assets continued

3.1 Intangible assets continued

2021 armor-related impairments continued

Impairment testing at 2 October 2021 for assets related to the armor business was performed at multiple levels as these assets generate cash inflows along with assets in other parts of the Group. The levels of impairment testing were as follows:

1) Product level – VTP ESAPI and DLA ESAPI are both separate products. Included in these CGUs are development expenditure, tangible assets related to the product group, inventory and acquired intangibles where associated with the development project.
2) Armor business level – this includes the VTP ESAPI and DLA ESAPI CGUs, and other armor specific assets such as acquired intangibles as well as PPE (including right of use assets) which solely relate to the entire armor business.
3) Ballistic level – this includes the armor business assets, and the assets related to the acquired Ceradyne helmet business.
4) Avon Protection business level – this includes ballistic assets and other assets that make up the Avon Protection operating segment, including goodwill relating to the Ceradyne acquisition (see below).

The impairment review of the prior period resulted in total non-current asset impairment of $45.1 million in respect of assets relating to the Ceradyne armor business acquired from 3M as part of the ballistic protection acquisition – these arose at the individual product level and the armor business level. In addition, inventory provisions of $1.7 million were recognised against VTP ESAPI armor materials. Offsetting these charges, a gain of $15.7 million was recognised to reduce the net present value of the contingent consideration payable to 3M as a result of the reduced revenue expectations from the DLA ESAPI body armor contract.

In 2022 revenue expectations from the DLA ESAPI body armor contract have further reduced, resulting in an additional gain of $3.9 million on release of the remaining net present value of the contingent consideration payable. Offsetting this credit, inventory provisions of $1.6 million were recognised in respect of raw materials held for the DLA ESAPI body armor contract.

The pre-tax discount rates used in FY21 in determining the value in use at each level were between 8.9% on the Avon Protection business level and 62.3% at the product level, reflecting the level of uncertainty associated with each of the asset groups reviewed for impairment.

There was no further impairment when subsequently testing ballistic protection level assets and finally Avon Protection CGU assets against expected values in use. Goodwill relating to the Ceradyne acquisition of $28.0 million and the Ceradyne helmet intangible assets with a carrying value of $28.9 million were unaffected by the impairment review and have been allocated in full to the respiratory and head protection operating segment.

The impairments fully wrote down armor assets to recoverable amounts. The overall armor asset base, impairments charged and remaining recoverable amounts at 2 October 2021 were as follows:

Armor-specific assets at 2 October 2021	Carrying value $m	Impairment $m	Recoverable amounts $m
Acquired intangibles	11.3	(11.3)	–
Development expenditure	8.1	(8.1)	–
Right of use assets	11.7	(11.7)	–
Plant and machinery	14.4	(13.9)	0.5
Leasehold improvements	0.1	(0.1)	–
Inventory	13.3	(1.7)	11.6
Total	58.9	(46.8)	12.1

There were no further additions or other changes to armor-specific non-current assets in the current period.

Recoverable amounts for plant and machinery are based on fair value less costs to sell. These are considered level 2 assets in a fair value hierarchy, valued based on market data for resale values on disposal. The recoverable amount for all other assets is based upon the relevant value in use. Remaining non-current assets have both fair value less costs to sell and value in use of $nil.

Changes in the discount rate or growth rate utilised in the product level and armor level reviews would not have materially changed the total impairment. Impairments were recognised through general and administrative expenses in the Consolidated Statement of Comprehensive Income.

The failures in testing within the armor business did not impact respiratory and head protection products, and the Group remains confident future regulatory approvals will be obtained for these businesses as required.

Goodwill

Goodwill acquired in a business combination is allocated to the groups of cash-generating units (CGUs) that are expected to benefit from that business combination. During the prior period additional goodwill of $58.3 million was recognised on the acquisition of the assets of Team Wendy. Subsequent to these transactions the full carrying value of $58.3 million associated with Team Wendy was recognised in the Team Wendy CGU with the full carrying value of $28.0 million associated with the acquisition of the 3M ballistic protection business being recognised in the Avon Protection CGU, following the incorporation of the 3M ballistic protection business into the Avon Protection operating segment.

Section 3 – Non-current assets continued

3.1 Intangible assets continued

Goodwill continued

Following a reorganisation in the current period, the Avon Protection operating segment has been disaggregated into two operating and reporting segments, these being respiratory and head protection and armor. Team Wendy has been fully integrated into the wider respiratory and head protection segment. As a consequence, the goodwill previously recognised within the Team Wendy CGU has been fully allocated to the respiratory and head protection segment. On the creation of armor as a separate operating segment, the Group evaluated the allocation of goodwill generated on the acquisition of the 3M ballistic protection business using the relative value method. On this basis, no goodwill was allocated to the armor operating segment.

Acquired intangibles

Acquired intangibles include brands, customer relationships and other intangibles:

	At 2 October 2021 Net book amount $m	Additions $m	Amortisation $m	Impairment $m	At 1 October 2022 Net book amount $m
Brand	11.5	–	(1.1)	–	10.4
Customer relationships	28.4	–	(3.0)	–	25.4
Other intangibles	19.0	–	(2.7)	–	16.3
	58.9	–	(6.8)	–	52.1

	At 26 September 2020 Net book amount $m	Additions $m	Amortisation $m	Impairment $m	At 2 October 2021 Net book amount $m
Brand	2.2	10.4	(1.1)	–	11.5
Customer relationships	20.0	28.2	(10.0)	(9.8)	28.4
Other intangibles	10.5	13.1	(3.1)	(1.5)	19.0
	32.7	51.7	(14.2)	(11.3)	58.9

The valuation of acquired assets is determined at point of acquisition, using complex valuation techniques including forecasting and discounting of future cash flows. This includes assumptions such as discount rates, royalty rates and estimates for growth rates, weighted average cost of capital and useful lives.

In the prior period, the Group acquired additional intangibles through the acquisition of the Team Wendy business (see note 7.2) which related to trade names ($10.4 million), technology ($13.1 million) and customer contracts ($28.2 million). External experts were engaged to support the Group in establishing appropriate estimates for the fair values of these assets. Trade names and technology were valued using the relief from royalty method, whilst customer contracts were valued using the excess earnings method. Assumptions adopted for the valuation of the individual assets included average annual growth rates of 4.7–5.4% for revenue forecasts, royalty rates between 1–7.5% depending on the individual assets, relevant qualitative factors and comparable market data as well discount factors of 10.6–12.6%, based on current market data and the risks associated with each of the individual assets.

Sensitivity analysis has shown that a reduction of assumed growth rates by 2% would have led to a reduced value of $1.6 million across the acquired intangibles with a corresponding increase in value of goodwill. A change in assumed discount factors by 1% would have led to a change in value of $2.1 million and a 10% variance in assumed royalty rates would have led to a change in value of $2.4 million across acquired intangibles with a corresponding change in the valuation of goodwill.

Customer relationships

Customer relationships include two separately identifiable individually material contracts, one with the National Industries for the Blind (NIB) and one with the Defense Logistics Agency (DLA). The NIB contract was acquired in the prior period through the acquisition of Team Wendy at a fair value of $14.9 million. As at 1 October 2022, this acquired intangible had a carrying value of $12.3 million and a remaining amortisation period of nine years.

The DLA contract was acquired in the period ending 26 September 2020 through the acquisition of the 3M ballistic protection business at a fair value of $20.0 million and an initial amortisation period of three years. As a result of lower revenue expectations from this contract, an impairment of $8.3 million was recognised in the prior period within general and administrative expenses to reduce the carrying value to $nil as at 2 October 2021.

Other customer relationships include those associated with the acquisition of the 3M ballistic protection business originally recognised at a fair value of $5.9 million amortised over five years. The remaining carrying value of these assets is $1.6 million, after amortisation charges, and a $1.5 million impairment in the prior year as a result of the armor review.

Other customer relationships also included other Team Wendy customer relationships acquired at fair value of $13.3 million. As at 1 October 2022, these acquired intangibles had a carrying value of $11.5 million and a remaining amortisation period of 12 years.

Section 3 – Non-current assets continued

3.2 Property, plant and equipment

	Freeholds $m	Lease assets $m	Plant and machinery $m	Leasehold improvements $m	Total $m
At 26 September 2020					
Cost	2.8	37.5	83.8	1.3	125.4
Accumulated depreciation and impairment	(1.1)	(11.8)	(46.6)	–	(59.5)
Net book amount	1.7	25.7	37.2	1.3	65.9
53 weeks ended 2 October 2021					
Opening net book amount	1.7	25.7	37.2	1.3	65.9
Exchange differences	–	0.5	0.5	–	1.0
Additions	0.2	1.6	9.0	2.5	13.3
Acquisition	–	3.1	5.4	0.1	8.6
Reclassification	–	–	(4.0)[1]	–	(4.0)
Armor review impairments	–	(11.7)	(13.9)	(0.1)	(25.7)
Other impairment	–	–	(0.1)	–	(0.1)
Depreciation charge	(0.1)	(4.2)	(5.8)	(0.3)	(10.4)
Closing net book amount	1.8	15.0	28.3	3.5	48.6
At 2 October 2021					
Cost	3.0	42.7	94.7	3.9	144.3
Accumulated depreciation and impairment	(1.2)	(27.7)	(66.4)	(0.4)	(95.7)
Net book amount	1.8	15.0	28.3	3.5	48.6
52 weeks ended 1 October 2022					
Opening net book amount	1.8	15.0	28.3	3.5	48.6
Exchange differences	–	(1.2)	(0.9)	–	(2.1)
Additions	–	2.2	2.9	–	5.1
Impairments	–	(0.4)	(2.2)	–	(2.6)
Depreciation charge	(0.1)	(3.0)	(5.5)	(0.5)	(9.1)
Closing net book amount	1.7	12.6	22.6	3.0	39.9
At 1 October 2022					
Cost	3.0	43.2	96.8	3.9	146.9
Accumulated depreciation and impairment	(1.3)	(30.6)	(74.2)	(0.9)	(107.0)
Net book amount	1.7	12.6	22.6	3.0	39.9

1 Following an internal review of assets acquired in the prior period as part of the acquisition of the 3M ballistic protection business, the Group has reclassified $4.0 million from fixed assets to inventory due to the underlying nature of such assets being consumable and having a short useful economic life.

Property, plant and equipment with a net book amount of $29.4 million is located within the United States of America (2021: $35.5 million). The balance is located in the United Kingdom.

$3.7 million (2021: $4.1 million) of expenditure included in the carrying value of plant and machinery relates to assets under construction.

The $0.4 million right of use asset impairment relates to the closure of one of our U.S. offices under the overhead reduction programme. The $2.2 million plant and machinery impairment is detailed in note 3.1.

2021 armor review related impairments

The Group performed an impairment review of assets at 2 October 2021 following the failure of the VTP ESAPI body armor product (note 3.1). As a result of this review impairments totalling $25.7 million were recognised on property, plant and equipment.

The right of use asset impairment of $11.7 million fully wrote down amounts relating to U.S. leasehold properties that will be vacated following closure of the armor business.

The plant and machinery impairment of $13.9 million wrote down assets related to the armor business located at these facilities to their estimated recoverable amount following closure of the operations.

Section 4 – Working capital

This section presents disclosures around the Group's working capital balances, inventories, trade receivables, payables and cash.

4.1 Inventories

	2022 $m	2021 $m
Raw materials	36.6	39.4
Work in progress	21.0	18.6
Finished goods	18.2	16.9
Inventory – gross	75.8	74.9
Inventory provisions	(10.2)	(12.6)
Inventory – net	65.6	62.3

The cost of inventories recognised as an expense and included in cost of sales amounted to $109.7 million (2021: $92.0 million). The amount of inventory carried as fair value less costs to sell is $nil (2021: $nil).

4.2 Trade and other receivables

	2022 $m	2021 $m
Trade receivables	26.6	39.8
Less: provision for impairment of receivables	(0.5)	(0.4)
Trade receivables – net	26.1	39.4
Prepayments	4.3	4.4
Other receivables	0.2	0.9
	30.6	44.7

The Group has no contract assets in the current or prior period.

See note 5.4 (ii) Credit risk for further details in relation to the Group provision for impairment of receivables. Changes in provisions for impaired receivables are included within general and administrative expenses in the Consolidated Statement of Comprehensive Income.

4.3 Cash and cash equivalents

	2022 $m	2021 $m
Cash and cash equivalents	9.5	14.1

Cash and cash equivalents are denominated in U.S. dollars, pounds sterling and euros and earn interest based on national rates.

Section 4 – Working capital continued

4.3 Cash and cash equivalents continued

The Group generates cash from its operating activities as follows:

	2022 $m	2021 $m
Continuing operations		
Loss for the period	(5.6)	(24.5)
Adjustments for:		
Taxation	(2.9)	(11.1)
Depreciation	9.1	10.4
Amortisation of intangible assets	12.7	19.0
Impairment of non-current assets (excluding $0.4m right of use asset impairment)	4.2	46.2
Defined benefit pension scheme cost	0.8	1.2
Finance costs	4.0	3.1
Other finance expense	2.4	3.5
Change in contingent consideration	(3.9)	(15.7)
Fair value of share-based payments	1.0	0.7
Acquisition costs expensed	–	2.6
Transaction costs expensed	0.6	–
Restructuring costs expensed (including $0.4m right of use asset impairment)	3.3	–
Increase in inventories	(5.0)	(9.7)
Decrease in receivables	11.6	5.4
Increase in payables and provisions	4.1	0.2
Cash flows from continuing operations before restructuring, transaction and acquisition costs	36.4	31.3
Restructuring, transaction and acquisition costs paid	(1.6)	(4.4)
Cash flows from continuing operations	34.8	26.9
Discontinued operations		
Loss for the period	(2.0)	(1.1)
Adjustments for:		
Taxation	(0.6)	(1.0)
Decrease in receivables	0.2	–
Increase/(decrease) in payables and provisions	1.1	(1.2)
Cash flows from discontinued operations	(1.3)	(3.3)
Cash flows from operations	33.5	23.6

4.4 Trade and other payables

	2022 $m	2021 $m
Trade payables	20.0	22.9
Contract liabilities	1.7	3.3
Other taxation and social security	1.0	0.8
Other payables	0.1	0.2
Accruals	19.5	12.8
	42.3	40.0

Contract liabilities represent amounts invoiced under contracts with customers but not recognised as revenue at the balance sheet date and cash received in advance. $3.3 million (2021: $0.9 million) of the balance in contract liabilities at the start of the period was recognised as revenue in the current period. The outstanding balance at the end of the period is expected to be recognised within the next 12 months.

Other payables comprise sundry items which are not individually significant for disclosure.

Section 5 – Funding

The following section provides disclosures about the Group's funding position, including borrowings, finance costs, exposure to financial risks and capital management policies.

5.1 Borrowings

	2022 $m	2021 $m
Current		
Lease liabilities	4.1	4.0
Non-current		
Bank loans	53.7	40.9
Lease liabilities	19.7	25.1
	73.4	66.0
Total Group borrowings	77.5	70.0

Bank loans comprise drawings under the revolving credit facility.

The Group has the following undrawn committed facilities:

	2022 $m	2021 $m
Expiring beyond one year		
Total undrawn committed borrowing facilities	151.3	164.1
Bank loans and overdrafts utilised	53.7	40.9
Total Group facilities	205.0	205.0

The Group has a revolving credit facility (RCF) with a total commitment of $200 million across six lenders with an accordion option of an additional $50 million. $142 million of the facility matures on 8 September 2025. The remaining $58 million matures on 8 September 2024, subject to a one-year extension option to 8 September 2025.

The RCF is subject to financial covenants measured on a biannual basis. These include a limit of 3.0 times for the ratio of net debt, excluding lease liabilities, to bank-defined adjusted EBITDA (leverage). The Group was in compliance with all financial covenants during the current and prior financial periods.

The RCF is drawn in short to medium-term tranches of debt which are repayable within 12 months of draw-down. These tranches of debt can be rolled over provided certain conditions are met, including covenant compliance. The Group considers that it is highly unlikely it would be unable to exercise its right to roll over the debt based on forecast covenant compliance. Even in a severe downside scenario there are mitigating actions (within the control of the Group) that could be taken to maintain compliance with these conditions, including future covenant requirements. The Directors therefore believe that the Group has the ability and the intent to roll over the drawn RCF amounts when due and consequently has presented the RCF as a non-current liability.

The RCF is floating rate priced on the Secured Overnight Financing Rate (SOFR) plus a margin of 1.45–2.35% depending on leverage. The Group has provided the lenders with a negative pledge in respect of certain shares in Group companies.

In addition to the RCF our U.S. operations have access to a $5.0 million overdraft facility, used to manage short-term liquidity requirements.

Section 5 – Funding continued

5.1 Borrowings continued

The table below presents the maturity analysis in respect of lease liabilities and bank loans:

	2022 $m	2021 $m
In one year or less, or on demand	4.1	4.0
Two to five years	65.5	55.8
More than five years	7.9	10.2
Total Group borrowings	77.5	70.0

Lease liabilities relate to land and buildings (right of use assets) leased by the Group for its office space and manufacturing facilities. The leases typically run for a period of 5–15 years. Most leases include an option to renew the lease for an additional period of 3–10 years after the end of the contract term. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. It reassesses whether it is reasonably certain to exercise the options if there is a significant change in circumstances within its control and discloses any potential future lease payments not included in lease liabilities where it is reasonably certain extension options will be exercised.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT and other equipment.

5.2 Net finance costs

	2022 $m	2021 $m
Finance costs:		
– Interest payable on bank loans and overdrafts	(2.5)	(1.4)
– Interest payable in respect of leases	(1.0)	(1.1)
– Amortisation of finance fees	(0.5)	(0.6)
	(4.0)	(3.1)
Other finance expenses:		
– Net interest cost: U.K. defined benefit pension scheme (note 6.2)	(1.3)	(1.3)
– Unwinding of discount on contingent consideration (note 7.1)	(1.1)	(2.2)
	(2.4)	(3.5)
Net finance costs	(6.4)	(6.6)

The effective interest rates at the balance sheet dates were as follows:

	2022		2021	
	Sterling %	Dollar %	Sterling %	Dollar %
Bank loans (interest payable on drawn facilities)	–	4.75%	–	1.60%
Lease liabilities	7.70%	2.80%	6.50%	2.50%

Floating interest on bank loans has been hedged using interest rate swaps as described in note 5.4(iv).

Movement analysis for interest due on bank loans

	At 02 October 2021 $m	Cash flow $m	Non cash movements $m	Exchange movements $m	At 01 October 2022 $m
Interest due on bank loans	–	(2.5)	2.5	–	–

	At 26 September 2020 $m	Cash flow $m	Non cash movements $m	Exchange movements $m	At 02 October 2021 $m
Interest due on bank loans	(0.1)	(1.3)	1.4	–	–

In addition to cash flows disclosed above for interest payable, the Group paid $0.2 million in the period (2021: $0.3 million) relating to RCF extension options (note 5.1).

Section 5 – Funding continued

5.3 Analysis of net cash/(debt)

	At 2 October 2021 $m	Cash flow $m	Non-cash movements $m	Exchange movements $m	At 1 October 2022 $m
Cash and cash equivalents	14.1	(4.2)	–	(0.4)	9.5
Bank loans	(40.9)	(12.8)	–	–	(53.7)
Net debt excluding lease liabilities	(26.8)	(17.0)	–	(0.4)	(44.2)
Lease liabilities	(29.1)	5.1	(1.4)	1.6	(23.8)
Net debt	(55.9)	(11.9)	(1.4)	1.2	(68.0)

	At 26 September 2020 $m	Cash flow $m	Non-cash movements $m	Exchange movements $m	At 2 October 2021 $m
Cash and cash equivalents	187.2	(173.7)	–	0.6	14.1
Bank loans	(39.5)	(1.4)	–	–	(40.9)
Net cash/(debt) excluding lease liabilities	147.7	(175.1)	–	0.6	(26.8)
Lease liabilities	(29.0)	4.8	(4.2)	(0.7)	(29.1)
Net cash/(debt)	118.7	(170.3)	(4.2)	(0.1)	(55.9)

5.4 Financial instruments

Financial instruments by category

Trade and other receivables (excluding prepayments) and cash and cash equivalents are classified as 'financial assets'. Borrowings and trade and other payables are classified as 'other financial liabilities at amortised cost'. Both categories are initially measured at fair value and subsequently held at amortised cost.

Derivatives (interest rate swaps) are classified as 'derivatives used for hedging' and accounted for at fair value with gains and losses taken to reserves through the Consolidated Statement of Comprehensive Income.

Contingent consideration arising from the 3M ballistic protection business acquisition is accounted for at fair value. For further details see note 7.1.

Financial risk and treasury policies

The Group's finance team maintains liquidity, manages relations with the Group's bankers, identifies and manages risk and provides a treasury service to the Group's businesses. Treasury dealings such as investments, borrowings and foreign exchange are conducted only to support underlying business transactions.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and monies on deposit with financial institutions.

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets (as defined in IFRS 15).

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Section 5 – Funding continued

5.4 Financial instruments continued

Financial risk and treasury policies continued

(i) Credit risk continued

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Carrying amount of financial assets	2022 $m	2021 $m
Trade receivables	26.1	39.4
Other receivables	0.2	0.9
Cash and cash equivalents	9.5	14.1
	35.8	54.4

The maximum exposure to credit risk for financial assets at the reporting date by currency was:

Carrying amount of financial assets	2022 $m	2021 $m
Pound sterling	2.2	5.9
U.S. dollar	31.9	47.2
Euro	1.2	1.2
Other currencies	0.5	0.1
	35.8	54.4

The ageing of trade receivables and associated provision for impairment at the reporting date was:

	Gross 2022 $m	Provision 2022 $m	Net 2022 $m	Gross 2021 $m	Provision 2021 $m	Net 2021 $m
Not past due	18.8	–	18.8	36.6	–	36.6
Past due 0–30 days	6.9	–	6.9	2.5	–	2.5
Past due 31–60 days	0.3	(0.2)	0.1	0.3	–	0.3
Past due 61–90 days	–	–	–	0.1	(0.1)	–
Past due more than 91 days	0.6	(0.3)	0.3	0.3	(0.3)	–
	26.6	(0.5)	26.1	39.8	(0.4)	39.4

The total past due receivables, net of provisions, is $7.3 million (2021: $2.8 million).

Individually impaired receivables relate to a small number of specific customers. Provisions for impairment are based on expected credit losses and are estimated based on knowledge of customers and historical experience of losses. A portion of these receivables is expected to be recovered.

Movements on the Group provision for impairment of trade receivables are as follows:

	2022 $m	2021 $m
At the beginning of the period	0.4	0.6
Provision for impairment of trade receivables	0.1	(0.2)
At the end of the period	0.5	0.4

The only significant concentration of credit risk is with the U.S. Government Department of Defense. At the balance sheet date outstanding trade receivables for this customer were $3.0 million (2021: $17.6 million).

The credit risk in relation to trade receivables is managed via credit evaluations for all non-Government customers requiring credit above a certain threshold, with required approval levels dependent on the value of sales. Where possible, letters of credit or payments in advance are received for significant export sales.

Section 5 – Funding continued
5.4 Financial instruments continued
Financial risk and treasury policies continued
(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses weekly cash flow forecasts to monitor cash requirements and to optimise its borrowing position. Typically the Group ensures that it has sufficient borrowing facilities to meet foreseeable operational expenses.

The following shows the contractual maturities of financial liabilities, including interest payments, where applicable, and excluding the impact of netting agreements and on an undiscounted basis:

Analysis of contractual cash flow maturities	**Carrying amount $m**	**Contractual cash flows $m**	**Less than 12 months $m**	**2–5 years $m**	**After 5 years $m**
2 October 2022					
Bank loans and overdrafts	53.7	63.6	4.2	59.4	–
Trade and other payables	41.3	41.3	41.3	–	–
Lease liabilities	23.8	29.6	4.9	14.1	10.6
Derivatives	0.5	0.5	0.2	0.3	–
Contingent consideration	–	–	–	–	–
	119.3	135.0	50.6	73.8	10.6

Analysis of contractual cash flow maturities	**Carrying amount $m**	**Contractual cash flows $m**	**Less than 12 months $m**	**2–5 years $m**	**After 5 years $m**
1 October 2021					
Bank loans and overdrafts	40.9	44.5	1.4	43.1	–
Trade and other payables	39.2	39.2	39.2	–	–
Lease liabilities	29.1	36.6	5.0	17.7	13.9
Derivatives	–	–	–	–	–
Contingent consideration	6.0	7.2	3.5	3.7	–
	115.2	127.5	49.1	64.5	13.9

(iii) Currency risk

The Group is exposed to transactional foreign exchange risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are sterling and U.S. dollars.

Transactional risk is minimised through natural hedging of sales and purchase currencies at a Company level. The Group monitors net transactional exposure and can utilise forward foreign exchange contracts to hedge the remaining currency risk. These contracts are generally designated as cash flow hedges. At the end of the reporting period there were no forward contracts outstanding (2021: $nil).

The Group is also exposed to translational foreign exchange risk arising when the results of sterling denominated companies are consolidated into the Group presentational currency, U.S. dollars. Group policy is not to hedge translational foreign exchange risk.

In respect of monetary assets and liabilities that are not denominated in Company functional currencies, the Group regularly reviews net exposure and ensures this is kept to an acceptable level by monitoring intercompany funding structures and buying or selling foreign currencies where necessary to address short-term imbalances.

Section 5 – Funding continued

5.4 Financial instruments continued

Financial risk and treasury policies continued

(iii) Currency risk continued

Sensitivity analysis

It is estimated that, with all other variables held equal (in particular other exchange rates), a one cent increase in the value of the U.S. dollar against sterling would have increased the Group's current year profit before interest and tax by $0.2 million (2021: $0.2 million), increased the Group's profit after tax by $0.2 million (2021: $0.2 million) and increased shareholders' funds by $0.2 million (2021: $0.6 million).

The following significant exchange rates applied during the year:

	Average rate 2022	Closing rate 2022	Average rate 2021	Closing rate 2021
Pound sterling	0.7841	0.9058	0.7311	0.7384

(iv) Interest rate risk

Derivative financial instruments – interest rate swaps	2022 $m	2021 $m
Current	0.2	–
Non-current	0.3	–
	0.5	–

	At 2 October 2021 $m	Cash flow $m	Non-cash movements $m	At 1 October 2022 $m
Interest rate swaps	–	–	0.5	0.5

The RCF is floating rate priced using the Secured Overnight Financing Rate (SOFR). In 2022 the Group has implemented a new hedging policy using interest rate swaps to fix a portion of SOFR floating rate interest. The notional value of interest rate swaps at 1 October 2022 was $30.0 million (2021: $nil), expiring on 8 September 2025 in line with the RCF.

After taking account of hedging, a 1.0% increase in SOFR would increase interest payable on bank loans by $0.2 million (2021: $0.2 million).

(v) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, whilst maintaining an optimal capital structure.

In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of the gearing ratio, calculated as net debt excluding lease liabilities divided by capital, and leverage (note 5.1). The Group's gearing ratio at the balance sheet date was:

	2022 $m	2021 $m
Net debt excluding lease liabilities	(44.2)	(26.8)
Group market capitalisation	385.0	815.9
Gearing ratio	0.11	0.03

Section 5 – Funding continued

5.4 Financial instruments continued

Financial risk and treasury policies continued

(vi) Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Carrying amount 2022 $m	Fair value 2022 $m	Carrying amount 2021 $m	Fair value 2021 $m
Trade receivables	26.1	26.1	39.4	39.4
Other receivables	0.2	0.2	0.9	0.9
Derivatives	0.5	0.5	–	–
Cash and cash equivalents	9.5	9.5	14.1	14.1
Bank loans and overdrafts	(53.7)	(53.7)	(40.9)	(40.9)
Trade and other payables	(41.3)	(41.3)	(39.2)	(39.2)
Contingent consideration	–	–	(6.0)	(6.0)

Basis for determining fair value

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

Derivatives

The Group's interest rate swaps are not traded in active markets. These have been fair valued using observable interest rates. The effects of non-observable inputs are not significant for interest rate swaps.

Counterparty banks perform valuations of interest rate swaps for financial reporting purposes, determined by discounting the future cash flows at rates determined by year end yield curves.

Secured loans

As the loans are floating rate borrowings, amortised cost is deemed to reflect fair value.

Trade and other receivables/payables

As the majority of receivables/payables have a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

Contingent consideration

The estimated fair value is calculated as the present value of the future expected cash flows relating to the contract discounted using a risk-adjusted discount rate. Key unobservable inputs into the fair value calculation are the expected future cash flows and the risk adjusted discount rate. The estimated fair value would change if the expected cash flows were lower than expected or the discount rate applied was higher.

5.5 Equity

Share capital

	Number of shares 2022	Ordinary shares 2022 $m	Share premium 2022 $m	Number of shares 2021	Ordinary shares 2021 $m	Share premium 2021 $m
Called up allotted and fully paid ordinary shares of £1 each						
At the beginning of the period	31,023,292	50.3	54.3	31,023,292	50.3	54.3
At the end of the period	31,023,292	50.3	54.3	31,023,292	50.3	54.3

Ordinary shareholders are entitled to receive dividends and to vote at meetings of the Company.

Section 5 – Funding continued

5.5 Equity continued

Own shares held – Long-Term Incentive Plan

	2022 Number of shares	2021 Number of shares
Opening balance	334,933	398,560
Acquired in the period	–	95,855
Disposed of on exercise of options	(73,219)	(159,482)
Closing balance	261,714	334,933

These shares are held in trust in respect of awards made under the Avon Rubber p.l.c. Long-Term Incentive Plan. Dividends on the shares have been waived. The market value of shares held in trust at 1 October 2022 was $3.2 million (2 October 2021: $8.8 million). The shares are held at cost as treasury shares and deducted from shareholders' equity.

In December 2021 73,219 shares vested under the Avon Rubber p.l.c. Long-Term Incentive Plan and were distributed to employees (2021: 159,482 shares vested and were distributed to employees in January 2021). In the 53 weeks ended 2 October 2021 95,855 shares were acquired by the trust.

Own shares held – Share Buyback Programme

	2022 Number of shares	2021 Number of shares
Opening balance	–	–
Acquired in the period	765,098	–
Closing balance	765,098	–

In the 52 weeks ended 1 October 2022 the Group completed a £9.25 million ($12.4 million) Share Buyback Programme, purchasing 765,098 ordinary shares. Dividends on the shares have been waived. Purchased shares under the programme are held at cost as treasury shares and deducted from shareholders' equity.

5.6 Dividends

On 28 January 2022, the shareholders approved a final dividend of 30.6 cents per qualifying ordinary share in respect of the 53 weeks ended 2 October 2021. This was paid on 11 March 2022 utilising $9.1 million of shareholders' funds (2021: $7.7 million).

The Board of Directors declared an interim dividend of 14.3 cents (2021: 14.3 cents) per qualifying ordinary share in respect of the 52 weeks ended 1 October 2022. This was paid on 2 September 2022 utilising $4.3 million (2021: $4.4 million) of shareholders' funds.

The Board is recommending a final dividend of 30.6 cents per share (2021: 30.6 cents) which together with the 14.3 cents per share interim dividend gives a total dividend of 44.9 cents (2021: 44.9 cents). The final dividend will be paid on 10 March 2023 to shareholders on the register at 10 February 2023 with an ex-dividend date of 9 February 2023.

Dividend cover

	2022 $ cents	2021 $ cents
Interim dividend	14.3	14.3
Final dividend	30.6	30.6
Total dividend	44.9	44.9
Basic earnings per share – continuing operations	(18.5)	(79.9)
Dividend cover ratio	(0.4) times	(1.8) times

Section 6 – Key management and employee benefits

The following pages include disclosures on wages and salaries and share option schemes which allow employees of the Group to take an equity interest in the Group.

This section also includes disclosures in relation to both the U.K. defined benefit scheme which was closed to future accrual of benefit in 2009, and contributions made to defined contribution schemes.

6.1 Employees

Total remuneration and associated costs for the period, in relation to both continuing and discontinued operations, were:

	2022 $m	2021 $m
Wages and salaries	66.3	63.0
Social security costs	6.0	5.6
Other pension costs	3.0	2.9
U.S. healthcare costs	6.4	5.8
Share-based payments (note 6.3)	1.0	0.7
	82.7	78.0

Detailed disclosures of Directors' remuneration and share options, including disclosure of the highest paid Director, are given on page 98.

The average monthly number of employees (including Executive Directors) during the period was:

	2022 Number	2021 Number
Avon Protection	1,024	1,043

At the end of the financial period, the total number of employees in the Group was 1,007 (2021: 1,057).

Key management compensation

The key management compensation below includes the Executive Directors plus five (2021: seven) others who were members of the Group Executive during the period. It does not include Non-Executive Directors.

	2022 $m	2021 $m restated[1]
Salaries and other employee benefits	3.8	3.1
Post-employment benefits	0.2	0.3
	4.0	3.4

1 Restated to exclude Non-Executive Directors.

The value of LTIP share awards held by key management that vested during the period was $0.7 million (2021: $3.3 million).

6.2 Pensions and other retirement benefits

Defined contribution pension scheme

The charge in respect of defined contribution pension schemes was $3.0 million (2021: $2.9 million).

Section 6 – Key management and employee benefits continued

6.2 Pensions and other retirement benefits continued

Defined benefit pension scheme

Retirement benefit assets and liabilities can be analysed as follows:

	2022 $m	2021 $m
Net pension liability	6.3	68.3

The Group operated a contributory defined benefit plan to provide pension and death benefits for the employees of Avon Protection plc and its Group undertakings in the U.K. employed prior to 31 January 2003. The plan was closed to future accrual of benefit on 1 October 2009 and has a weighted average maturity of approximately 12 years. The assets of the plan are held in separate trustee administered funds and are invested by professional investment managers. The trustee is Avon Rubber Pension Trust Limited, the Directors of which are members of the plan. Three of the Directors are appointed by the Company and two are elected by the members. The defined benefit plan exposes the Group to actuarial risks such as longevity risk, inflation risk and investment risk.

The funding of the plan is based on regular actuarial valuations. The most recent full actuarial valuation of the plan was carried out at 31 March 2019 when the market value of the plan's assets was £335.8 million. The fair value of those assets represented 83% of the value of the benefits which had accrued to members, after allowing for future increase in pensions.

The net pension liability for the scheme amounted to $6.3 million as at 1 October 2022 (2021: $68.3 million). The reduction is due to a higher discount rate being applied to pension liabilities, partially offset by a fall in plan asset values.

During the period the Group made payments to the plan of $8.5 million (2021: $2.9 million) in respect of scheme expenses and deficit recovery plan payments, including a $4.0 million prepayment covering all contributions due in FY23. In accordance with the deficit recovery plan agreed following the 31 March 2019 actuarial valuation, the Group will make payments in FY24 of $4.3 million in respect of deficit recovery and scheme expenses. These payments are subject to review following the March 2022 actuarial valuation which will be finalised in 2023.

Plan assets include Liability Driven Investments (LDI) of $54.4 million (2021: $122.9 million), which are held to manage funding risk. The fall in LDI valuation reflects increases in government bond yields through 2022. The Group is in close contact with the trustees of the scheme to monitor cash liquidity risk in context of recent market volatility, including collateral requirements for the LDI. To the date of this report, the scheme has covered all LDI collateral requirements.

The Directors have confirmed no additional liability is required to be recognised as a consequence of minimum funding requirements. The trustees have no rights to wind up the scheme or improve benefits without Company consent.

An updated actuarial valuation for IAS 19 (revised) purposes was carried out by an independent actuary for period end using the projected unit credit method.

Movement in net defined benefit liability

	Defined benefit obligation		Defined benefit asset		Net defined benefit liability	
	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m
At the beginning of the period	(534.7)	(526.3)	466.4	446.7	(68.3)	(79.6)
Included in profit or loss						
Administrative expenses	(0.8)	(1.2)	–	–	(0.8)	(1.2)
Net interest cost	(10.3)	(8.6)	9.0	7.3	(1.3)	(1.3)
	(11.1)	(9.8)	9.0	7.3	(2.1)	(2.5)
Included in other comprehensive income						
Remeasurement (loss)/gain:						
– Actuarial (loss)/gain arising from:						
– Demographic assumptions	(0.2)	(0.4)	–	–	(0.2)	(0.4)
– Financial assumptions	175.4	3.6	–	–	175.4	3.6
– Experience adjustment	(11.3)	7.3	–	–	(11.3)	7.3
– Return on plan assets excluding interest income	–	–	(113.8)	5.7	(113.8)	5.7
	163.9	10.5	(113.8)	5.7	50.1	16.2
Other						
Contributions by the employer	–	–	8.5	2.9	8.5	2.9
Net benefits paid out	21.5	24.5	(21.5)	(24.5)	–	–
FX gain/(loss)	75.5	(33.6)	(70.0)	28.3	5.5	(5.3)
At the end of the period	(284.9)	(534.7)	278.6	466.4	(6.3)	(68.3)

Section 6 – Key management and employee benefits continued

6.2 Pensions and other retirement benefits continued

Plan assets

The fair value of the assets of the pension scheme analysed by asset category is shown below:

	2022 $m	2021 $m
Equities and other securities	105.6	180.7
Liability Driven Investment	54.4	122.9
Secured income fund	53.1	69.5
Infrastructure fund	55.2	67.6
Cash	10.3	25.7
Total fair value of assets	278.6	466.4

Equity securities are valued using quoted prices in active markets where available. The Liability Driven Investment (LDI) comprises an investment in a level 2 pooled investment vehicle which combines a series of variable interest-earning cash deposits combined with contracts to hedge interest rate and inflation risk. The LDI is valued using a net asset value published on the Irish Stock Exchange.

$169.9 million (2021: $194.8 million) of the remaining investments are classified as level 3 within the fair value hierarchy. Holdings in unquoted securities are valued at fair value which is typically the net asset value provided by the fund administrator at the most recent quarter end. Holdings in the infrastructure fund are valued by an independent valuer using a model-based valuation such as a discounted cash flow approach.

The significant assumptions used in the valuation are the discount rate and the expected cash flows, both of which are subject to estimation uncertainty. Changes in assumptions relating to these variables could positively or negatively impact the reported fair value of these instruments.

The Avon Rubber defined benefit pension scheme has an investment strategy which is targeted at maximising investment returns with a low-risk strategy which still represents a prudent approach to meeting the plan's liabilities and ensuring that members' benefits are protected. The strategy considers the need for appropriate asset class diversification to balance the risks and rewards across a range of alternative asset classes. The investments held by the pension scheme include both quoted and unquoted securities, the latter which by their nature involve assumptions and estimates to determine their fair value. Where there is not an active market for the unquoted securities the fair value of these assets are estimated by the pension trustees based on advice received from the investment manager whilst also using any available market evidence of any recent transactions for an identical asset. The target weightings under the current asset allocation strategy are 40% to matching investments, 50% to cash flow driven investments and 10% to return-seeking investments.

Actuarial assumptions

The main financial assumptions used by the independent qualified actuaries to calculate the liabilities under IAS 19 (revised) are set out below:

	2022 % p.a.	2021 % p.a.
Inflation (RPI)	3.60	3.55
Inflation (CPI)	2.80	2.75
Pension increases post-August 2005	2.30	2.30
Pension increases pre-August 2005	3.45	3.40
Discount rate for scheme liabilities	5.30	2.00
Base mortality	100% of S2NA tables, based on members' year of birth	100% of S2NA tables, based on members' year of birth
Future improvements in longevity	CMI 2021 projections with a long-term trend of 1.50% p.a.	CMI 2020 projections with a long-term trend of 1.50% p.a.

RPI inflation has been set in line with market break even expectations less an inflation risk premium of 0.3% (2021: 0.2%). The impact of the 0.1% change in inflation risk premium reduced period end balance sheet liabilities by approximately $2.5m.

Changes to RPI

The conclusion of the joint consultation between the U.K. Government and the U.K. Statistics Authority in November 2020 was that RPI is intended to be aligned with CPIH from February 2030 and therefore the margin between RPI and CPI will reduce over time. As a result, the Company reduced the long-term gap between RPI and CPI by ten basis points (from 0.9% to 0.8%) in the prior period.

Section 6 – Key management and employee benefits continued

6.2 Pensions and other retirement benefits continued

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience.

The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:

	2022	2021
Male	21.8	21.7
Female	23.8	23.8

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date is as follows:

	2022	2021
Male	23.4	23.4
Female	25.6	25.6

No adjustments have been to mortality assumptions at period end to reflect the effects of COVID-19 as it is too soon to make a judgement on the impact of the pandemic on future mortality improvements. Mortality experience analysis for the schemes will be carried out as a part the next full actuarial valuation.

Sensitivity analysis

	Defined benefit obligation increase/(decrease) $m
Inflation (1.0% increase)	21.4
Inflation (1.0% decrease)	(22.0)
Discount rate for scheme liabilities (1.0% increase)	(30.7)
Discount rate for scheme liabilities (1.0% decrease)	37.2
Future mortality (one-year increase)	10.9

The above sensitivity analysis shows the impact on the defined benefit obligation only, not the net pension liability as it does not take into account any impact on the asset valuation. Each sensitivity analysis disclosed in this note is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur.

6.3 Share-based payments

The Group operates an equity-settled share-based Performance Share Plan (PSP). Details of the plan are set out in the Remuneration Report, section 'Long-Term Incentive Plan' on page 94. An expense of $1.0 million (2021: $0.7 million) was recognised in the period relating to share-based payments.

Section 6 – Key management and employee benefits continued

6.3 Share-based payments continued

The table below summarises the movements in the number of share options outstanding for the Group, all of which are nil cost options:

	Number of options 2022 '000s	Number of options 2021 '000s
Outstanding at the beginning of the period	372	423
Forfeited during the period	(165)	(13)
Exercised during the period	(74)	(159)
Granted during the period	285	121
Outstanding at the end of the period	418	372

The weighted average remaining contractual life of outstanding share options is 17 months (2021: 14 months). All the share options that vested in the period vested on 20 December 2021 at a share price of £11.57.

A Monte Carlo simulation was used to calculate the fair value of awards granted that are subject to a total shareholder return performance condition. The fair value of other awards was calculated as the market price of the shares at the date of grant reduced by the present value of the dividends expected to be paid over the vesting period. The principal assumptions used were:

	2022	2021
Weighted average fair value (£)	9.07	21.79
Key assumptions used:		
Closing share price at date of grant (£)	11.41	31.25
Expected volatility (%)	43.9	36.7
Risk-free interest rate (%)	1.1	–
Expected option term (yrs)	3.0	2.8
Dividend yield (%)	–	–

Volatility is estimated based on experience over the last three years.

Section 7 – Other

7.1 Provisions for liabilities and charges

	Warranty provisions $m	Property obligations $m	Contingent consideration $m	Total $m
Balance at 26 September 2020	–	2.7	19.5	22.2
Provision created during the period	–	0.1	–	0.1
Release of contingent consideration	–	–	(15.7)	(15.7)
Unwind of discount on provisions	–	–	2.2	2.2
Foreign exchange movements	–	0.1	–	0.1
Balance at 2 October 2021	–	2.9	6.0	8.9
Transferred from accruals on 3 October 2021	1.5	–	–	1.5
Provision created during the period	2.2	0.8	–	3.0
Cash payments	(1.3)	–	(3.2)	(4.5)
Release of contingent consideration	–	–	(3.9)	(3.9)
Unwind of discount on provisions	–	–	1.1	1.1
Foreign exchange movements	(0.1)	(0.4)	–	(0.5)
Balance at 1 October 2022	2.3	3.3	–	5.6

Analysis of total provisions	2022 $m	2021 $m
Current	0.7	3.5
Non-current	4.9	5.4
	5.6	8.9

Section 7 – Other continued

7.1 Provisions for liabilities and charges continued

Warranty provisions cover expected costs under guarantees provided with certain products. Warranty provisions were previously included within accruals. On 3 October 2021 warranty provisions were transferred from accruals to provisions for liabilities and charges, this being considered a more appropriate categorisation. The Directors have reviewed the impact on the prior period and considered this not material.

Property obligations relate to leased premises of the Group which are subject to dilapidation risks and are expected to be utilised within the next 15 years.

The purchase consideration in relation to the 3M ballistic protection business acquisition included contingent consideration up to a maximum of $25.0 million depending on the outcome of certain tenders which were pending at the acquisition date and the level of sales which were generated on these contracts if secured. At acquisition the fair value of the contingent consideration was recognised as $20.0 million based on the expected value and timing of those payments after applying a discount rate of 12% to reflect the risk in the cash flows at that date.

The contract that triggered the contingent consideration was awarded shortly after the acquisition date with subsequent orders resulting in payments of $3.4 million in 2020 and $3.2 million in 2022.

The release of $15.7 million in the prior period was due to reduced expectations of the timing and amount of orders ($14.9 million), and an increase to the discount rate applied to expected future payments ($0.8 million). In 2022 the contractual order period closed with no further orders. As a result the remaining $3.9 million was released.

7.2 Acquisitions and divestments

Acquisition – Team Wendy

The acquisition of the Team Wendy business completed on 2 November 2020.

The Group acquired 100% of the equity for a total consideration of $132.0 million, being the $130.0 million initial consideration and purchase price adjustments of $2.0 million reflecting the cash and working capital position at close. The net assets acquired had a book value of $22.3 million before fair value adjustments.

Set out below is an analysis of the assigned fair values of the assets acquired and liabilities assumed relating to this acquisition:

	Fair value $m
Customer relationships	28.2
Brand	10.4
Other intangible assets	13.1
Property, plant and equipment	8.6
Inventories	12.2
Trade and other receivables	5.8
Cash	1.1
Lease liability	(3.1)
Trade and other payables	(2.6)
Net assets acquired	73.7
Goodwill	58.3
Total consideration	132.0
Initial cash consideration	130.0
Post-completion working capital adjustment	0.9
Cash acquired	1.1
Total consideration	132.0

Goodwill of $58.3 million was recognised in respect of this acquisition, representing the amount paid for future sales growth from both new customers and new products, operating cost synergies and employee know-how. 100% of the value of goodwill is expected to be deductible for tax purposes.

From the date of acquisition to 2 October 2021, Team Wendy generated $41.0 million of revenue (including $0.7 million from other Group companies) and reported an operating profit of $4.6 million. The operating profit is stated after amortisation of acquired intangibles of $4.0 million and expensing the $2.4 million inventory fair value step-up following the sell through of the acquired inventory. Had Team Wendy been acquired on the first day of the financial period, then the estimated contribution to revenue would have been $44.7 million and operating profit $5.0 million. In 2022 Team Wendy has been fully integrated into the wider respiratory and head protection segment (note 2.1).

Acquisition costs of $2.2 million were expensed in the prior period, following the recognition of $7.4 million of such costs in 2020. Acquisition costs of $4.4 million were paid in the prior period.

Section 7 – Other continued

7.3 Other financial commitments

	2022 $m	2021 $m
Capital expenditure committed	1.7	2.8

Capital expenditure committed represents the amount contracted in respect of property, plant and equipment at the end of the financial period for which no provision has been made in the financial statements.

7.4 Group undertakings

	Registered office address	Activity	Country in which incorporated
Held by Parent Company			
Avon Polymer Products Limited	Hampton Park West, Melksham, SN12 6NB U.K.	The manufacture and distribution of respiratory protection systems	U.K.
Avon Protection Holdings Limited	Hampton Park West, Melksham, SN12 6NB U.K.	Investment holding company	U.K.
Avon Rubber Pension Trust Limited	Hampton Park West, Melksham, SN12 6NB U.K.	Pension fund trustee	U.K.
Held by Group undertakings			
Avon Protection Systems, Inc.	503 8th St, Cadillac, MI 49601, United States	The manufacture and distribution of respiratory and ballistic protection systems	U.S.
Avon Rubber & Plastics, Inc.	503 8th St, Cadillac, MI 49601, United States	Investment holding company	U.S.
Avon Protection Ceradyne, LLC	4000 Barranca Parkway, Suite 100, Irvine, CA 92604, United States	The manufacture and distribution of ballistic protection systems	U.S.
Team Wendy LLC	17000 St Clair Ave, Cleveland, OH 44110, United States	The manufacture and distribution of helmet systems	U.S.
Avon Technologies Limited	Hampton Park West, Melksham, SN12 6NB U.K.	Dormant company	U.K.
Avon Protection U.K. Limited	Hampton Park West, Melksham, SN12 6NB U.K.	Dormant company	U.K.

Shareholdings are ordinary shares and all undertakings are wholly owned by the Group and operate primarily in their country of incorporation. All companies have the same financial year end. Avon Polymer Products Limited and Avon Protection Holdings Limited are exempt from the requirement to file audited accounts by virtue of section 479A of the Companies Act 2006 ('the Act'). All remaining U.K. subsidiaries are exempt from the requirement to file audited accounts by virtue of section 480 of the Act.

7.5 Related party transactions

Except in respect of the defined benefit pension scheme, internal transactions between Group companies, and compensation of key management personnel there were no related party transactions during the period or outstanding at the end of the period (2021: $nil). Transactions with the defined benefit pension scheme are disclosed in note 6.2. Key management compensation is disclosed in note 6.1.

PARENT COMPANY BALANCE SHEET
AT 1 OCTOBER 2022

	Note	2022 £m	2021 £m restated[1]
Assets			
Non-current assets			
Tangible assets	4	4.4	4.5
Intangible assets		–	–
Investments in subsidiaries	5	191.0	191.0
Deferred tax assets	6	2.5	2.5
		197.9	198.0
Current assets			
Trade and other receivables	7	2.0	7.0
Cash and cash equivalents		0.2	5.2
		2.2	12.2
Liabilities			
Current liabilities			
Borrowings	10	0.5	0.5
Trade and other payables	8	21.3	27.5
		21.8	28.0
Net current liabilities		(19.6)	(15.8)
Non-current liabilities			
Borrowings	10	5.1	5.4
Provisions for liabilities and charges	9	2.2	1.5
		7.3	6.9
Net assets		171.0	175.3
Shareholders' equity			
Ordinary shares	11	31.0	31.0
Share premium account		34.7	34.7
Capital redemption reserve		0.5	0.5
Retained earnings		104.8	109.1
Total equity		171.0	175.3

1 See note 13 for details of restatement.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account. The profit for the Company for the period was £15.3 million (2021: profit of £12.6 million).

These financial statements on pages 164 to 171 were approved by the Board of Directors on 22 November 2022 and signed on its behalf by:

Bruce Thompson
Executive Chair

Rich Cashin
Chief Financial Officer

The accompanying accounting policies and notes form part of these financial statements.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

	Note	Share capital £m	Share premium £m	Capital redemption reserves £m	Retained earnings[1] £m	Total equity £m
At 26 September 2020 as previously reported		31.0	34.7	0.5	124.6	190.8
Restatement[1]	13	–	–	–	(15.3)	(15.3)
At 26 September 2020 as restated		31.0	34.7	0.5	109.3	175.5
Profit for the year	1	–	–	–	12.6	12.6
Dividends paid	2	–	–	–	(8.7)	(8.7)
Own shares acquired	11	–	–	–	(3.1)	(3.1)
Fair value of share-based payments	12	–	–	–	0.4	0.4
Deferred tax relating to employee share schemes	6	–	–	–	(1.4)	(1.4)
At 2 October 2021 as restated		31.0	34.7	0.5	109.1	175.3
Profit for the year	1	–	–	–	15.3	15.3
Dividends paid	2	–	–	–	(10.5)	(10.5)
Own shares acquired	11	–	–	–	(9.3)	(9.3)
Fair value of share-based payments	12	–	–	–	0.7	0.7
Deferred tax relating to employee share schemes	6	–	–	–	(0.5)	(0.5)
At 1 October 2022		31.0	34.7	0.5	104.8	171.0

1 See note 13 for further details of restatement.

FINANCIAL STATEMENTS

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Accounting Standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken:

- presentation of a cash flow statement and related notes (IAS 7);
- comparative period reconciliations for share capital and intangible and tangible fixed assets (paragraph 38, IAS 1);
- transactions with wholly owned subsidiaries (IAS 24);
- capital management (paragraphs 134–136, IAS 1);
- share-based payments (paragraphs 45(b) and 46–52, IFRS 2);
- financial instruments (IFRS 7);
- compensation of key management personnel (paragraph 17, IAS 24);
- fair value measurement (paragraphs 91–99, IFRS 13);
- leases (paragraphs 90–93, IFRS 16);
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- the requirements of paragraph 18A of IAS 24 Related Party Disclosures.

Where required, equivalent disclosures are given in the Group financial statements.

Foreign currencies

The Company's functional currency is sterling as this is the currency of the primary economic environment in which the Company operates. Foreign currency transactions are recorded at the exchange rate ruling on the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the retranslation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Pensions

The Group operated a contributory defined benefit plan to provide pension and death benefits for the employees of Avon Protection plc and its Group undertakings in the U.K. employed prior to 31 January 2003. The scheme is closed to new entrants and was closed to future accrual of benefits from 1 October 2009. Scheme assets are measured using market values, while liabilities are measured using the projected unit method. One of the Company's subsidiaries, Avon Polymer Products Limited, is the employer that is legally responsible for the scheme and the pension obligations are included in full in its accounts. No asset or provision has been reflected in the Company's balance sheet for any surplus or deficit arising in respect of pension obligations.

The Company also provides pensions by contributing to defined contribution schemes. The charge in the profit and loss account reflects the contributions paid and payable to these schemes during the period. Full disclosures of the U.K. pension schemes have been provided in the Group financial statements.

Share-based payments

The Company operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any recognised impairment losses.

Costs include the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use including any qualifying finance expenses.

Depreciation is provided to write down the depreciable amount of relevant assets by equal annual instalments over their estimated useful lives.

In general, the lives used are:

- Leasehold property – period of lease agreement

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated net realisable value. Gains and losses on disposal are determined by comparing proceeds with carrying amounts.

Leases

Right of use assets and lease liabilities are recognised at the commencement date of the contract for all leases conveying the right to control the associated asset for a period of time.

The right of use assets are initially measured at cost, which comprises the initial measurement of the lease liability plus an estimate of dilapidation provisions (note 10) where required. Subsequently the right of use assets are measured at cost less accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

Depreciation is calculated on a straight-line basis over the life of the lease. In general the lives used are:

- Leasehold property – period of the lease

The lease liability is initially measured at the present value of the lease payments due over the life of the lease. The lease payments are discounted at the rate implicit in the lease or if that is not readily determined using the Company's incremental borrowing rate.

Leases continued

The lease term is determined with reference to any non-cancellable period of lease contracts plus any periods covered by an option to extend/terminate the lease if it is considered reasonably certain that the option will/will not be exercised. In concluding whether or not it is reasonably certain an option will be exercised for new leases management has considered the three-year strategic outlook for the Group and other operational factors.

Subsequently the lease liability is measured by increasing the carrying value to reflect interest on the liability and reducing the carrying value to reflect lease payments made.

The carrying value of lease liabilities and associated assets will be remeasured to reflect any changes to the lease or other assumptions applied.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

Deferred taxation

Because of the differences between accounting and taxable profits and losses reported in each period, temporary differences arise on the amount certain assets and liabilities are carried at for accounting purposes and their respective tax values. Deferred tax is the amount of tax payable or recoverable on these temporary differences.

Deferred tax liabilities arise where the carrying amount of an asset is higher than the tax value (more tax deduction has been taken). This can happen where the Company invests in capital assets, as governments often encourage investment by allowing tax depreciation to be recognised faster than accounting depreciation. This reduces the tax value of the asset relative to its accounting carrying amount. Deferred tax liabilities are generally provided on all taxable temporary differences. The periods over which such temporary differences reverse will vary depending on the life of the related asset or liability.

Deferred tax assets arise where the carrying amount of an asset is lower than the tax value (less tax benefit which has been taken). Deferred tax assets are recognised only where the Company considers it probable that it will be able to use such losses by offsetting them against future taxable profits.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is calculated using the enacted or substantively enacted rates that are expected to apply when the asset is realised or the liability is settled.

Trade and other receivables

Trade and other receivables are classified as measured at amortised cost. The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, highly liquid interest-bearing securities with maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. They are initially recognised at fair value and subsequently held at amortised cost.

Provisions

Provisions are recognised when:

- the Company has a legal or constructive obligation as a result of a past event; and
- it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, for example where a warranty has been given, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently stated at amortised cost. Borrowing costs are expensed using the effective interest method.

Dividends

Final dividends are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by shareholders, while interim dividends are recognised in the period in which the dividends are paid.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases its own share capital (treasury shares) through employee share ownership trusts, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from shareholders' funds until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in shareholders' funds.

1 Parent Company

As a Consolidated Statement of Comprehensive Income is published, a separate profit and loss account for the Parent Company is omitted from the accounts by virtue of section 408 of the Companies Act 2006. The Parent Company's profit for the financial year was £15.3 million (2021: £12.6 million).

The audit fee in respect of the Parent Company is set out in note 2.5 to the Group financial statements.

2 Dividends

Details of the Company's dividends are set out in note 5.6 to the Group financial statements.

3 Employees

The only employees of the Company during the current period were the Chief Executive Officer and the Chief Financial Officer to the Group. Detailed disclosures of the Executive Directors' remuneration packages are provided in the Remuneration Report on page 98 to 100.

In the prior period, the Company also employed a monthly average of 54 administrative staff. These employees were transferred to Avon Polymer Products Limited, a wholly owned subsidiary of the Company, on 2 October 2021.

4 Tangible assets

	Lease assets £m
Cost	
At 2 October 2021	10.8
Additions	0.5
At 1 October 2022	11.3
Depreciation charge	
At 2 October 2021	6.3
Charge for the period	0.6
At 1 October 2022	6.9
Net book value	
At 1 October 2022	4.4
At 2 October 2021	4.5

Lease assets relate to the Group's leased properties.

5 Investments in subsidiaries

	2022 £m	**2021 £m**
Opening net book value	191.0	113.7
Additions	–	77.3
Closing net book value	191.0	191.0

During the prior period, the Company made an additional cash investment in Avon Protection Holdings Limited of £77.3 million to support the funding of the Team Wendy acquisition.

The investments consist of a 100% (unless indicated as otherwise) interest in the following subsidiaries:

	Principal activity	**Registered office**	**Country in which incorporated**
Avon Polymer Products Limited	The manufacture and distribution of respiratory protection systems	Hampton Park West, Melksham, SN12 6NB U.K.	U.K.
Avon Protection Holdings Limited	Investment company	Hampton Park West, Melksham, SN12 6NB U.K.	U.K.
Avon Rubber Pension Trust Limited	Pension fund trustee	Hampton Park West, Melksham, SN12 6NB U.K.	U.K.

Details of investments held by these subsidiaries are given in note 7.4 to the Group financial statements.

6 Deferred tax assets

	Share options £m	Accelerated capital allowances £m	Other temporary differences £m	Total £m
At 26 September 2020	2.3	0.1	0.4	2.8
Credited/(charged) to profit for the year	0.1	(0.1)	1.1	1.1
Charged to equity	(1.4)	–	–	(1.4)
At 2 October 2021	1.0	–	1.5	2.5
Credited to profit for the year	0.1	–	0.4	0.5
Charged to equity	(0.5)	–	–	(0.5)
At 1 October 2022	0.6	-	1.9	2.5

7 Trade and other receivables

	2022 £m	2021 £m restated[1]
Other receivables	0.2	0.2
Prepayments	1.0	1.8
Amounts owed by Group undertakings	0.8	5.0
	2.0	7.0

1 See note 13 for details of restatement.

Amounts due to Group undertakings are unsecured, are interest free, have no fixed date of repayment and are repayable on demand.

8 Trade and other payables

	2022 £m	2021 £m restated[1]
Trade payables	0.3	0.6
Accruals	3.0	1.7
Amounts due to Group undertakings	18.0	25.2
	21.3	27.5

1 See note 13 for details of restatement.

Amounts due to Group undertakings are unsecured, are interest free, have no fixed date of repayment and are repayable on demand.

9 Provisions for liabilities and charges

	Property obligations £m
Balance at 26 September 2020	1.5
Addition during the period	–
Balance at 2 October 2021	1.5
Addition during the period	0.7
Balance at 1 October 2022	2.2

Analysis of total provisions	2022 £m	2021 £m
Non-current	2.2	1.5
	2.2	1.5

Provisions relate to property obligations arising in relation to leased premises of the Company which are subject to dilapidation risks and are expected to be utilised within the next ten years. Property provisions are subject to uncertainty in respect of any final negotiated settlement of any dilapidation claims with landlords.

10 Borrowings

The Group has a revolving credit facility with total commitments of $200 million across six lenders with an accordion option of an additional $50 million. Further details regarding credit risks are disclosed in note 5.4 to the Group financial statements.

	2022 £m	2021 £m
Current		
Lease liabilities	0.5	0.5
Non-current		
Lease liabilities	5.1	5.4
Total borrowings	5.6	5.9

The table below presents the contractual maturity analysis in respect of lease liabilities:

	2022 £m	2021 £m
In one year or less, or on demand	0.5	0.5
Two to five years	2.6	2.3
More than five years	2.5	3.1
Total lease liabilities	5.6	5.9

Lease liabilities relate to land and buildings (lease assets) leased by the Company for its office space and manufacturing facilities of U.K. trading subsidiaries.

11 Share capital

Details of the Company's share capital are set out in note 5.5 to the Group financial statements.

12 Share-based payments

The Company operates an equity-settled share-based Long Term Incentive Plan (LTIP) details of which are disclosed in note 6.3 to the Group financial statements.

The Company recognises share-based payment charges for awards held by the Chief Executive Officer and the Chief Financial Officer. Share-based payment charges for other employees are recharged to the relevant subsidiary.

13 Restatement

Comparatives have been restated for the following items:

1. The recognition of a net intercompany payable of £15.3 million between the Company and its subsidiary Avon Polymer Products Limited arising from the reallocation of the proceeds received by the Company on the divestment of milkrite | InterPuls in September 2020 but attributable to Avon Polymer Products Limited of £43.3 million and the recognition of a dividend received of £28 million from Avon Polymer Products Limited in September 2020. Both of these items were previously omitted in the Company's financial statements but were correctly reflected in the 2021 and 2020 Avon Polymer Products Limited company accounts, meaning no restatement was required at the subsidiary level.

2. The gross presentation of intercompany receivables and payables which had previously been offset as at 2 October 2021.

There was no impact to the profit and loss account for the 53 weeks period ended 2 October 2021.

A reconciliation of the previously reported figures to the restated figures is presented below:

	As reported 2 October 2021 £m	Adjustment to amounts due to Group undertakings £m	Gross intercompany balances £m	2 October 2021 restated £m
Amounts owed by Group undertakings	–	–	5.0	5.0
Amounts due to Group undertakings	(4.9)	(15.3)	(5.0)	(25.2)
Retained earnings	(124.4)	15.3	–	(109.1)

	As reported 26 September 2020 £m	Adjustment to amounts due to Group undertakings £m	26 September 2020 restated £m
Amounts due to Group undertakings	(15.7)	(15.3)	(31.0)
Retained earnings	(124.6)	15.3	(109.3)

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION
If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your bank manager, stockbroker, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all of your shares in Avon Protection plc, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Notice of Annual General Meeting for the year ended 30 September 2022

Notice is hereby given that the AGM of shareholders of Avon Protection plc ('the Company') will be held at Hampton Park West, Semington Road, Melksham SN12 6NB, Wiltshire on 27 January 2023 at 10:30am for the purposes set out below.

You will not receive a form of proxy for the AGM in the post. Instead, you will receive instructions to enable you to vote electronically and outlining how to register to do so. You may request a hard copy form of proxy directly from the Registrar, Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL (Tel: 0371 664 0300 or +44 371 664 0300 if overseas).

Ordinary business

To consider and, if thought fit, pass resolutions 1–12 (inclusive) as ordinary resolutions:

Resolution 1

To receive the Company's accounts and the reports of the Directors and the auditor for the year ended 30 September 2022.

Resolution 2

To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) for the financial year ended 30 September 2022.

Resolution 3

To declare a final dividend of 30.6 U.S. cents per ordinary share as recommended by the Directors.

Resolution 4

To elect Jos Sclater as a Director of the Company.

Resolution 5

To elect Rich Cashin as a Director of the Company.

Resolution 6

To re-elect Bruce Thompson as a Director of the Company.

Resolution 7

To re-elect Chloe Ponsonby as a Director of the Company.

Resolution 8

To re-elect Bindi Foyle as a Director of the Company.

Resolution 9

To re-elect Victor Chavez CBE as a Director of the Company.

Resolution 10

To re-appoint KPMG LLP as auditor of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.

Resolution 11

To authorise the Directors to determine the auditor's remuneration.

Resolution 12

That, in accordance with sections 366 and 367 of the Companies Act 2006 ('the Act'), the Company and all its subsidiaries during the period for which this resolution has effect be and are hereby authorised, in aggregate, to:

(a) make political donations to political parties or to independent election candidates not exceeding £100,000 in total;

(b) make political donations to political organisations (other than political parties) not exceeding £100,000 in total; and

(c) incur any political expenditure not exceeding £100,000 in total,

during the period beginning with the date of the passing of this resolution and ending at the close of business on 27 December 2023 or, if sooner, the conclusion of the next AGM of the Company. For the purpose of this resolution 'political donation', 'political party', 'political organisation', 'independent election candidate' and 'political expenditure' are to be construed in accordance with sections 363, 364 and 365 of the Act.

Special business

To consider and if thought fit, pass resolution 13 as an ordinary resolution and resolutions 14–17 (inclusive) as special resolutions:

Resolution 13

That in accordance with section 551 of the Act, the Directors be generally and unconditionally authorised to allot Relevant Securities (as defined in the notes to this resolution) comprising equity securities (as defined by section 560 of the Act) up to an aggregate nominal amount of £10,086,064 but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange, provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date 15 months after the date of this resolution or, if earlier, the date of the next AGM of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

Resolution 14

That, subject to the passing of resolution 13, the Directors be authorised to allot equity securities (as defined by section 560 of the Act) for cash under the authority conferred by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash, as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall:

(a) be limited to the allotment of equity securities or sale of treasury shares up to an aggregate nominal amount of £1,512,909; and

(b) expire on the date 15 months after the date of this resolution or, if earlier, the date of the next AGM of the Company (unless renewed, varied or revoked by the Company prior to or on that date) save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted (or treasury shares to be sold) after such expiry and the Directors may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

Resolution 15

That, subject to the passing of resolution 13, the Directors be authorised, in addition to any authority granted under resolution 13, to allot equity securities (as defined by section 560 of the Act) for cash under the authority conferred by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash, as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall:

(a) be limited to the allotment of equity securities or sale of treasury shares up to an aggregate nominal amount of £1,512,909;

(b) be used for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors have determined to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice; and

(c) expire on the date 15 months after the date of this resolution or, if earlier, the date of the next AGM of the Company (unless renewed, varied or revoked by the Company prior to or on that date) save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted (or treasury shares to be sold) after such expiry and the Directors may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

Resolution 16

That the Company be and is hereby unconditionally and generally authorised for the purpose of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of £1 each in the capital of the Company provided that:

(a) the maximum number of shares which may be purchased is 3,025,819;

(b) the minimum price (excluding expenses) which may be paid for each share is £1;

(c) the maximum price (excluding expenses) which may be paid for each ordinary share is an amount equal to the higher of:

   (i) 105% of the average of the middle market quotations of the Company's ordinary shares as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which such share is contracted to be purchased; or

   (ii) the value of an ordinary share calculated on the basis of the higher of the price quoted for the last independent trade of and the highest current independent bid for any number of the Company's ordinary shares on the London Stock Exchange Daily Official List at the time the purchase is agreed; and

(d) this authority shall expire on the date 15 months after the date of this resolution or, if earlier, the date of the next AGM of the Company (except in relation to the purchase of shares the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry) unless such authority is renewed prior to such time.

Resolution 17

That a general meeting of the Company (other than an AGM) may be called on not less than 14 clear days' notice.

By order of the Board

Miles Ingrey-Counter
General Counsel and Company Secretary

Explanatory notes relating to the resolutions

The Board believes that the adoption of resolutions 1 to 17 will promote the success of the Company and is in the best interests of the Company and its shareholders as a whole. The Board unanimously recommends that all shareholders should vote in favour of all the resolutions to be proposed at the AGM. Each of the Directors of the Company intends to vote in favour of all resolutions in respect of their own beneficial holdings.

Resolution 1 – Reports and accounts

The Directors are required by law to present to the AGM the accounts, and the reports of the Directors and auditor, for the year ended 30 September 2022. These are contained in the Company's 2022 Annual Report.

Resolution 2 – Directors' Remuneration Report

This resolution seeks shareholders' approval of the Directors' Remuneration Report for the year ended 30 September 2022 contained on pages 86 to 105 of the 2022 Annual Report. As in previous years, the vote is advisory only and the Directors' entitlement to remuneration is not conditional on it being passed.

Resolution 3 – Declaration of final dividend

A final dividend can only be paid after the shareholders have approved it at a general meeting. The Directors recommend that a final dividend in respect of the financial year ended 30 September 2022 of 30.6 U.S. cents be paid. Subject to approval, the final dividend will be paid on 10 March 2023 to eligible shareholders on the Company's Register of Members at close of business on 10 February 2023. The dividend will be converted into pound sterling for payment at the prevailing exchange rate prior to payment. The exchange rate will be notified to shareholders through a Regulatory News Service in advance of the dividend payment date.

Resolutions 4 to 9 – Re-appointment of Directors

Each member of the Board has offered himself/herself for election or re-election in accordance with best practice corporate governance standards. The Board unanimously recommends that they each be elected or re-elected as Directors of the Company. The Chair confirms that each of the Non-Executive Directors who are seeking re-election at the AGM continues to be an effective member of the Board and to demonstrate their commitment to their role. Chloe Ponsonby, in her capacity as Senior Independent Director, has confirmed that Bruce Thompson is an effective Chair and demonstrates commitment to his role as Chair.

The Company announced on 17 October 2022 that Jos Sclater would be appointed to the Board as Chief Executive Officer with effect from 16 January 2023. Resolution 4 proposes his election to the Board by shareholders on the assumption that he will have been appointed by the Directors to the Board prior to AGM on 27 January 2023.

Biographical details for each Director are set out on pages 72 and 73 of the 2022 Annual Report.

Resolutions 10 and 11 – Re-appointment of auditor and authorisation for the Directors to set the auditor's remuneration

The Company is required to appoint an auditor at each general meeting at which its accounts are presented. The Board is recommending to shareholders the re-appointment of KPMG LLP as the Company's auditor for the financial year commencing on 1 October 2022.

Resolution 12 – Authority to make political donations

The Act requires companies to obtain shareholders' authority before they can make donations to political organisations or incur political expenses. It is not proposed or intended to alter the Company's policy of not making political donations, within the normal meaning of that expression. However, this resolution is proposed to ensure that the Company and its subsidiaries do not, because of any uncertainty as to the bodies or activities covered by the Act, unintentionally commit any technical breach of the Act by making political donations. Resolution 12, if passed, will give the Board authority to make political donations until the close of business on 27 December 2023 or, if sooner, the next AGM of the Company (when the Board intends to renew this authority), up to an aggregate of £100,000 for the Company and its subsidiary companies.

Resolution 13 – Directors' authority to allot

This resolution deals with the Directors' authority to allot Relevant Securities in accordance with section 551 of the Act. The authority granted at the last AGM is due to expire at the conclusion of this year's AGM and accordingly it is proposed to renew this authority.

This resolution will, if passed, authorise the Directors to allot Relevant Securities up to a maximum nominal amount of £10,086,064, which is equal to approximately one-third of the issued share capital of the Company as at 22 November 2022 in accordance with institutional shareholder guidelines. The Directors have no present intention of exercising this authority. The authority granted by this resolution will expire on the date 15 months after the date of this resolution or, if earlier, the date of the next AGM of the Company.

In this resolution, 'Relevant Securities' means:

(a) shares in the Company other than shares allotted pursuant to:
- an employee share scheme (as defined by section 1166 of the Act);
- a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or
- a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security; and

(b) any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Act). References to the allotment of Relevant Securities in this resolution include the grant of such rights.

Resolution 14 – General disapplication of pre-emption rights

This resolution will, if passed, give the Directors power, pursuant to the authority to allot granted by resolution 13, to allot equity securities (as defined by section 560 of the Act) or sell treasury shares for cash without first offering them to existing shareholders in proportion to their existing holdings up to a maximum nominal amount of £1,512,909 which represents approximately 5% of the Company's issued share capital as at 22 November 2022 and renews the authority given at the AGM in 2021.

The figure of 5% reflects the Pre-Emption Group 2015 Statement of Principles for the disapplication of pre-emption rights ('the Statement of Principles'). The Directors will have due regard to the Statement of Principles in relation to any exercise of this power; in particular they do not intend to allot shares for cash on a non-pre-emptive basis pursuant to this power in excess of an amount equal to 7.5% of the total issued ordinary share capital of the Company in any rolling three-year period, without prior consultation with shareholders save as permitted in connection with an acquisition or specified capital investment as described in the notes for resolution 15.

The power granted by this resolution will expire on the date 15 months after the date of this resolution or, if earlier, the date of the next AGM of the Company.

The Directors have no present intention to exercise the authority conferred by this resolution.

Resolution 15 – Additional disapplication of pre-emption rights

This resolution seeks a further power, pursuant to the authority granted by resolution 13, to allot equity securities (as defined by section 560 of the Act) or sell treasury shares for cash without first offering them to existing shareholders in proportion to their existing holdings up to a maximum nominal amount of £1,512,909 which represents approximately 5% of the Company's issued share capital as at 22 November 2022. This is in addition to the 5% referred to in resolution 14 above.

The power granted by this resolution will expire on the date 15 months after the date of this resolution or, if earlier, the date of the next AGM of the Company.

The Directors will have due regard to the Statement of Principles in relation to any exercise of this power and in particular they confirm that they intend to use this power only in connection with a transaction which they have determined to be an acquisition or other capital investment (of a kind contemplated by the Statement of Principles most recently published prior to the date of this Notice) which is announced contemporaneously with the announcement of the issue, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue.

Resolution 16 – Authority to purchase own shares

This resolution seeks authority for the Company to make market purchases of its own shares and is proposed as a special resolution. If passed, the resolution gives authority for the Company to purchase up to 3,025,819 ordinary shares of £1 each, representing approximately 10% of the Company's issued share capital as at 22 November 2022.

The resolution specifies the minimum and maximum prices which may be paid for any ordinary shares purchased under this authority. The authority will expire on the earlier of the date 15 months after the date of this resolution and the Company's next AGM. The Company purchased 765,098 shares in the period from the last AGM to 22 November 2022 under the existing authority.

The Directors have no present intention of exercising the authority to make market purchases; however, the authority provides the flexibility to allow them to do so in the future.

The Directors will exercise this authority only when, in light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase the earnings per ordinary share having regard to the intent of the guidelines of institutional investors and that such purchases are in the best interests of shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account before deciding upon this course of action. In the event of any purchase under this authority, the Directors would either hold the purchased ordinary shares in treasury or cancel them.

Bonus and incentive scheme targets for Executive Directors would not be affected by any enhancement of earnings per share following a share re-purchase.

As of 22 November 2022, there were options to subscribe outstanding over 418,028 shares, representing 1.38% of the Company's issued share capital. If the authority given by resolution 16 were to be fully exercised, these options would represent 1.53% of the Company's issued share capital after cancellation of the re-purchased shares. As of 22 November 2022, there were no warrants outstanding over shares.

Resolution 17 – Notice of Meeting

Resolution 17 is a resolution to allow the Company to hold general meetings (other than AGMs) on 14 days' notice.

Before the introduction of the Companies (Shareholders' Rights) Regulations in August 2009, the Company was able to call general meetings (other than AGMs) on 14 clear days' notice. One of the amendments that the Companies (Shareholders' Rights) Regulations 2009 made to the Act was to increase the minimum notice period for listed company general meetings to 21 days, but with an ability for companies to reduce this period back to 14 days (other than for AGMs) provided that:

(i) the Company offers facilities for shareholders to vote by electronic means; and

(ii) there is an annual resolution of shareholders approving the reduction in the minimum notice period from 21 days to 14 days.

Resolution 17 is therefore proposed as a special resolution to approve 14 days as the minimum period of notice for all general meetings of the Company other than AGMs. The approval will be effective until the Company's next AGM, when it is intended that the approval be renewed. The Company will use this notice period only when permitted to do so in accordance with the Act and when the Directors consider it appropriate to do so.

Notice of Meeting notes

The following notes explain your general rights as a shareholder and your right to attend and vote at this AGM or to appoint someone else to vote on your behalf.

1. To be entitled to vote on the business of the AGM (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the Register of Members of the Company by close of business on 25 January 2023. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to vote on the business of the AGM.

2. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the AGM. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company.

3. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).

4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.

5. You can vote either:

   - by logging on to www.signalshares.com and following the instructions;

   - you may request a hard copy form of proxy directly from the Registrar, Link Group, on Tel: 0371 664 0300 (+44 371 664 0300 if overseas). Calls are charged at the standard geographical rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00 am and 5:30 pm, Monday to Friday excluding public holidays in England and Wales; or

   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

   In order for a proxy appointment to be valid, a form of proxy must be completed. In each case the form of proxy must be received by Link Group at 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL by 10:30 am (GMT) on 25 January 2023.

6. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM (and any adjournment of the AGM) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

8. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message ('a CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear U.K. & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 10:30 am (U.K. time) on 25 January 2023. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

9. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear U.K. & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

10. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 10.30 am on 25 January 2023 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

11. Unless otherwise indicated on the Form of Proxy, CREST, Proxymity or any other electronic voting instruction, the proxy will vote as they think fit or, at their discretion or withhold from voting.

12. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.

13. As at 22 November 2022 (being the latest practicable business day prior to the publication of this Notice), the Company's issued share capital consists of 30,258,194 ordinary shares of £1 each, carrying one vote each. 765,098 ordinary shares of £1 each are held in treasury. These shares are not taken into consideration in relation to the payment of dividends or voting. Therefore, the total voting rights in the Company as at 22 November 2022 are 30,258,194.

14. Under section 527 of the Act, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's financial statements (including the Auditor's Report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements and reports were laid in accordance with section 437 of the Act (in each case) that the shareholders propose to raise at the relevant meeting. The Company may not require the shareholders requesting any such website

Notice of Meeting notes continued

publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM for the relevant financial year includes any statement that the Company has been required under section 527 of the Act to publish on a website.

15. The following documents are available for inspection at our registered office from the date of this Notice until the conclusion of the AGM and at the place of the meeting from at least 15 minutes prior to and during the meeting until its conclusion:

    - copies of the Directors' letters of appointment or service contracts; and
    - a copy of the current Articles of Association of the Company.

    Scanned copies are also be available on request from the Company Secretary.

16. You may not use any electronic address (within the meaning of section 333(4) of the Act) provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

Term	Definition
Adjusted basic earnings per share	Adjusted profit for the year divided by the weighted average number of shares in issue
Adjusted dividend cover	The ratio of adjusted basic earnings per share from continuing operations to the total dividend for the year
Adjusted EBITDA	Adjusted EBITDA is defined as adjusted operating profit before depreciation, amortisation and impairment of non-current assets. It excludes any effect of discontinued operations
Adjusted EBITDA margin	The ratio of adjusted EBITDA to revenue
Adjusted operating profit	Operating profit adjusted to exclude exceptional items
BPS	Basis points
Cash conversion percentage	The ratio of cash generated from operations before the effect of exceptional items, as a percentage of adjusted EBITDA
Closing order book	Orders held by the Group at the end of the year which are not yet fulfilled
Continuing operations	The segments of the Group that are expected to still be operating in the future
Discontinued operations	The segments of the Group that no longer function within the core business and which are separately disclosed within the income statement
Dividend cover	The ratio of basic earnings per share from continuing operations to the total dividend for the year
Dividend per share	Dividends paid/proposed, divided by the weighted average number of shares in issue
EBITDA	The Group's earnings before charging interest, tax, depreciation, amortisation and impairment of non-current assets
Exceptional items	Transactions are classified as exceptional items where they relate to an event that falls outside of the underlying trading activities of the business and where individually, or in aggregate, they have a material impact on the financial statements
Intellectual property	Intangible property created by the Group through research and development, that is protected through patents, copyrights or trademarks
Net debt	Net debt is the Group's drawn bank debt, overdrafts and lease obligations net of any cash
Orders received	The orders received throughout the year and recognised as revenue together with orders in the closing order book
Return on capital employed	Adjusted operating profit as a percentage of average capital employed. Capital employed is the sum of shareholders' funds adjusted for non-current liabilities and current borrowings
Total research and development as % of revenue	Total expenditure on research and development expressed as a percentage of revenue

Term	Explanation
50 series	Range of masks based on the proven technology of the M50 mask system
AGM	Annual General Meeting
APAC	Asia-Pacific
APC	Avon Protection Ceradyne
CBRN	Chemical, biological, radiological and nuclear
DLA	Defense Logistics Agency
DOD	Department of Defense
ESAPI	Enhanced Small Arms Protective Insert
ESG	Environmental, social and corporate governance
ESPP	Employee Stock Purchase Plan
FAT	First Article Testing
FTSE	Financial Times Stock Exchange
FX	Foreign exchange
FY	Financial year
GHG	Greenhouse Gas
H1/H2	First half of the financial year (October–March)/second half of financial year (April–September)
ITAR	International Traffic in Arms Regulation
JSGPM	Joint service general protection mask
KPIs	Key Performance Indicators
LTIP	Long-Term Incentive Plan
MENA	Middle East and North Africa
MOD	Ministry of Defence
NATO	North Atlantic Treaty Organization

Term	Explanation
NG IHPS	Next Generation Integrated Head Protection System
NSPA	The NATO Support and Procurement Agency, the executive body of the NATO Support and Procurement Organisation (NSPO, of which all 30 NATO nations are members)
PAPR	Powered Air Purifying Respirator
PSP	Performance Share Plan
RoW	Rest of World
SCBA	Self-Contained Breathing Apparatus
SIP	Share Incentive Plan
SSA	Special Security Agreement
SWAT	Special Weapons and Tactics
TBI	Traumatic Brain Injury
tCO_2e	The amount of greenhouse gasses emitted during a given period, measured in metric tons of carbon dioxide equivalent
TFCD	Task Force for Climate Related Financial Disclosures
TSR	Total shareholder return
UN SDGS	United Nations Sustainable Development Goals
VTP	Vital Torso Protection

Shareholder information
As at 31 October 2022 the Company had 1,202 shareholders, of which 723 had 1,000 shares or fewer.

Financial calendar
Half year results are usually announced in May and year end results in November.

In respect of the year ended 30 September 2022 the AGM will be held on 27 January 2023 at Hampton Park West, Semington Road, Melksham, Wiltshire SN12 6NB, England.

Corporate information
Registered office
Hampton Park West, Semington Road, Melksham, Wiltshire SN12 6NB, England.

Registered
In England and Wales No. 32965

VAT No. GB 137 575 643

Board of Directors
Bruce Thompson (Executive Chair)

Rich Cashin (Chief Financial Officer)

Chloe Ponsonby (Non-Executive Director)

Bindi Foyle (Non-Executive Director)

Victor Chavez CBE (Non-Executive Director)

Company secretary
Miles Ingrey-Counter

Auditor
KPMG LLP

Chartered Accountants and Statutory Auditor

Registrar and transfer office
Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL

Tel: 0371 664 0300 (+44 371 664 0300 if overseas)

Calls are charged at the standard geographical rate and will vary by provider; lines are open 9:00 am–5:30 pm, excluding public holidays in England and Wales.

Financial advisor
Rothschild & Co

Brokers
Peel Hunt LLP

Jefferies Group LLC

Financial PR
MHP Communications

Lawyer
White & Case LLP

Principal bankers
Barclays Bank PLC

Comerica Inc.

NatWest

Fifth Third

Bank of Ireland

CIC

Website
www.avon-protection-plc.com

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Both the printer and the paper mill are registered to ISO 14001.

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