AVON PROTECTION PLC
PRELIMINARY RESULTS FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

STRONG H2 RECOVERY AND SIGNIFICANT LONG-TERM GROWTH OPPORTUNITY

Avon Protection plc, the leading global provider of respiratory and head protection systems, today announces audited results for the 52 weeks ended 1 October 2022.

	1 October 2022	2 October 2021 [5]	Organic Change (constant currency)[4]
Group[2]			
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] operating profit	$10.1m	$22.0m	(61.4%)
Adjusted[1] profit before tax	$6.1m	$18.9m	(74.4%)
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	$44.2m	$26.8m	64.9%
Statutory results			
Operating loss[3] from continuing operations	$(2.1)m	$(29.0)m	
Loss before tax from continuing operations	$(8.5)m	$(35.6)m	
Basic loss per share from continuing operations	(18.5)c	(79.9)c	
Net debt	$68.0m	$55.9m	
Excluding Armor[2]			
Revenue	$263.5m	$241.8m	8.6%
Adjusted[1] EBITDA	$38.8m	$46.0m	(21.8%)
Adjusted[1] operating profit	$23.4m	$32.5m	(35.3%)

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

- Solid order intake of $280.1 million reflecting:
  - First order of $42.1m from the U.S. Army for the Next-Generation Integrated Head Protection System (NG IHPS) helmet.
  - Strong underlying demand environment with NSPA contract facilitating delivery of our life-critical personal protection to NATO countries.
- Notable growth in UK & International market revenue (+84.2%, +88.9% on an organic constant currency basis) and Commercial Americas (+4.6%), offsetting decline in U.S. DOD (-21.2%).

- Adjusted EBITDA margin of 9.4% (2021: 15.1%), reflecting a combination of product mix shift and operational challenges, including supply chain issues, with H2 margin of 12.9% following improvement in product mix and manufacturing efficiencies.
    - Adjusted EBITDA margin excluding armor of 14.7% (2021: 19.0%).
- Cash conversion of 142.7% reflecting tight control over working capital.
- Net debt excluding lease liabilities of $44.2 million and leverage of 1.99 times bank adjusted EBITDA.

Operational and strategic progress

- Further development of our head protection portfolio:
    - First delivery order worth $42.1m received from the U.S. Army for NG IHPS.
    - Award of second-generation Advanced Combat Helmet contract for the U.S. DOD.
    - In-sourcing of helmet shells for legacy Team Wendy products.
    - Integration of our helmet design and manufacturing capability increasing flexibility and capacity.
- Successful business improvement actions:
    - Significant progress towards reducing overheads by $21 million per annum.
    - Forward ordering of long lead-time components to combat supply chain disruption, allowing greater agility and ability to react to demand signals.
- Full materiality assessment and impact plan created in line with our sustainability agenda.
- Appointments of Rich Cashin as Chief Financial Officer in March 2022 and Jos Sclater as Chief Executive Officer with effect from 16 January 2023.

Outlook

- Opening order book of $151.3 million provides good visibility going into the new financial year.
- Q1 performance to date has been in line with expectations.
- Mid-single-digit revenue growth excluding armor driven by commencement of NG IHPS deliveries and growth in global head protection, offsetting modest declines in European respiratory following very strong FY22.
- Revenue from armor is expected to total $28m-$30m.
- Adjusted EBITDA margin on an excluding armor basis consistent with FY22, with new product introduction costs and inflationary pressures largely offsetting efficiency improvements and overhead savings.
- Armor will continue to be a headwind for reported results, although we expect to have fully withdrawn from the armor market by the end of FY23. EBITDA margin including armor above FY22.
- Revenue and earnings are expected to reflect a normal weighting towards H2.
- Further improvement of the leverage position expected.
- Greater focus on protective technologies and capabilities throughout Europe and beyond.
- Anticipated increase in public defence spending on personal protective equipment over the medium-long-term, including long-term upgrade programmes.
- Significant long-term growth opportunity underpinned by our world-leading technology positions and a heightened threat environment.

Bruce Thompson, Executive Chair:

"We are pleased to be announcing results this morning which reflect solid order intake and a much-improved operational performance in the second half.

These results reflect the outstanding efforts of our employees across the business, who have continued to focus on executing our strategy. Our thanks go to them for their hard work and dedication to Avon Protection.

We have made good progress in 2022 preparing for a new chapter of growth and future value generation, including restructuring some areas of the business and resolving legacy execution issues. Importantly, earlier in the year we recruited Rich Cashin as CFO and, more recently, Jos Sclater as our new CEO.

There is a significant long-term growth opportunity for Avon. The demand for our world-leading respiratory and head protection systems is as strong as ever, and we remain focused on protecting those who protect us with our innovative solutions."

Notes:

[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] For more information regarding segmental reporting and detailed Armor performance refer to note 2.1.

[3] Reported operating loss includes $6.8m amortisation of acquired intangibles, $3.8m impairment of non-current assets, restructuring costs of $3.3m, transaction costs of $0.6m, as well as a gain of $3.9m from the reduction of the net present value of the contingent consideration payable to 3M due to lower orders under the DLA ESAPI contract, off-set by an inventory provision of $1.6m in respect of raw materials held for the DLA ESAPI contract. See adjusted performance section for full breakdown of adjustments and comparatives.

[4] Organic constant currency measures are provided in the adjusted performance section.
[5] In previous periods, the Group reported financial statements to the 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.

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Analyst and investor webcast

Bruce Thompson, Executive Chair, and Rich Cashin, Chief Financial Officer, will host a presentation for analysts and investors at 9.00am this morning, at Peel Hunt, 100 Liverpool Street, EC2M 2AT. The presentation will also be broadcast live at: https://brrmedia.news/AVON_FY22

A copy of the presentation for the webcast will be uploaded to www.avon-protection-plc.com at 8:30am this morning.

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The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation ("MAR") EU no.596/2014. Upon the publication of this announcement via Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

About Avon Protection:

Avon Protection 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.

For further information, please visit our website www.avon-protection-plc.com

OPERATIONAL REVIEW

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.

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 & 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 22. 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 CFO in March 2022, and of Jos Sclater as CEO 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 aligned data reporting with the GHG Protocol 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.

FINANCIAL REVIEW

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 the 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 to. This has no impact on previously reported numbers.

3 Organic constant currency measures are provided in the adjusted performance measures section below.

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).

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).

	2022				2021			
Revenue $m	Respiratory	Head protection	Armor	Total	Respiratory	Head protection	Armor	Total
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.

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 continuing 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	(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.

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

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 profit/(loss)	(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 benefits 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 01 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.

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.

Bruce Thompson
Executive Chair
22 November 2022

Rich Cashin
Chief Financial Officer
22 November 2022

FORWARD-LOOKING STATEMENTS

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

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

COMPANY WEBSITE

The full annual report will be made available on 5 December 2022 on the Company's website https://www.avon-protection-plc.com/. The maintenance and integrity of the website is the responsibility of the Directors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PERFORMANCE MEASURES

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)
(Loss)/profit 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.

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.

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. 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.

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.
- $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 $m	2021 $m
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

UK & International	2022 $m (excluding acquisitions)	2021 $m (constant currency)
Revenue	98.8	52.3

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 1 October 2022

	Note	52 weeks ended 1 October 2022 $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	3.3	(6.4)	(6.6)
Loss before taxation		(8.5)	(35.6)
Taxation		2.9	11.1
Loss for the period from continuing operations		(5.6)	(24.5)
Discontinued operations			
Loss from discontinued operations		(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		50.1	16.2
Deferred tax relating to retirement benefit scheme		(9.6)	(3.1)
Deferred tax relating to change in tax rates		(3.4)	4.1
Deferred tax relating to other temporary differences		-	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	2.2		
Basic		(25.1c)	(83.5c)
Diluted		(25.1c)	(83.5c)
Earnings per share from continuing operations	2.2		
Basic		(18.5c)	(79.9c)
Diluted		(18.5c)	(79.9c)

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		171.0	181.0
Property, plant and equipment		39.9	48.6
Deferred tax assets		26.7	40.2
Derivative financial instruments		0.3	–
		237.9	269.8
Current assets			
Inventories		65.6	62.3
Trade and other receivables		30.6	44.7
Derivative financial instruments		0.2	–
Current tax receivables		4.2	7.8
Cash and cash equivalents	3.1	9.5	14.1
		110.1	128.9
Liabilities			
Current liabilities			
Borrowings	3.2	4.1	4.0
Trade and other payables		42.3	40.0
Provisions for liabilities and charges		0.7	3.5
		47.1	47.5
Net current assets		63.0	81.4
Non-current liabilities			
Borrowings	3.2	73.4	66.0
Deferred tax liabilities		5.8	6.1
Retirement benefit obligations		6.3	68.3
Provisions for liabilities and charges		4.9	5.4
		90.4	145.8
Net assets		210.5	205.4
Shareholders' equity			
Ordinary shares	3.5	50.3	50.3
Share premium account	3.5	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 the 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 Cash Flow Statement

For the 52 weeks ended 1 October 2022

	Note	52 weeks ended 1 October 2022 $m	53 weeks ended 2 October 2021[1] $m
Cash flows from operating activities			
Cash flows from continuing operations	3.1	34.8	26.9
Cash flows from discontinued operations	3.1	(1.3)	(3.3)
Cash flows from operations	3.1	33.5	23.6
Retirement benefit deficit recovery contributions		(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		(2.9)	(11.7)
Capitalised development costs and purchased software		(6.0)	(19.9)
Acquisition of business (2021: net of acquired cash of $1.1m)		(3.2)	(130.9)
Net cash used in investing activities		(12.1)	(159.7)
Cash flows used in financing activities			
Proceeds from loan drawdowns	3.4	42.9	42.0
Loan repayments	3.4	(30.1)	(40.6)
Finance costs paid in respect of bank loans and overdrafts	3.3	(2.7)	(1.6)
Finance costs paid in respect of leases		(1.0)	(1.1)
Repayment of lease liability		(4.1)	(3.7)
Dividends paid to shareholders	3.6	(13.4)	(12.1)
Purchase of own shares – Long Term Incentive Plan	3.5	–	(4.3)
Purchase of own shares – Share Buyback Programme	3.5	(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	3.1	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		–	–	–	–	0.3	0.3
Remeasurement gain recognised on retirement benefit scheme		–	–	–	–	16.2	16.2
Deferred tax relating to change in tax rates		–	–	–	–	4.1	4.1
Deferred tax relating to retirement benefit scheme		–	–	–	–	(3.1)	(3.1)
Total comprehensive income/(expense) for the period		–	–	–	0.6	(8.1)	(7.5)
Dividends paid	3.6	–	–	–	–	(12.1)	(12.1)
Own shares acquired	3.5	–	–	–	–	(4.3)	(4.3)
Fair value of share-based payments		–	–	–	–	0.5	0.5
Current tax relating to employee share schemes charged to equity		–	–	–	–	1.2	1.2
Deferred tax relating to employee share schemes charged directly to equity		–	–	–	–	(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		–	–	–	–	(0.1)	(0.1)
Remeasurement gain recognised on retirement benefit scheme		–	–	–	–	50.1	50.1
Deferred tax relating to change in tax rates		–	–	–	–	(3.4)	(3.4)
Deferred tax relating to retirement benefit scheme		–	–	–	–	(9.6)	(9.6)
Interest rate swaps – cash flow hedge		–	–	0.5	–	–	0.5
Current tax on interest rate swaps – cash flow hedge		–	–	(0.1)	–	–	(0.1)
Total comprehensive income for the period		–	–	0.4	0.8	29.4	30.6
Dividends paid	3.6	–	–	–	–	(13.4)	(13.4)
Own shares acquired	3.5	–	–	–	–	(12.4)	(12.4)
Fair value of share-based payments		–	–	–	–	1.0	1.0
Current tax relating to employee share schemes charged to equity		–	–	–	–	–	–
Deferred tax relating to employee share schemes charged directly to equity		–	–	–	–	(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.

NOTES TO THE ACCOUNTS

1 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 on a going concern basis and 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.

The financial information set out above does not constitute the company's statutory accounts for the periods ended 1 October 2022 or 2 October 2021 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the registrar of companies, and those for 2022 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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)	(34.3c)	54.7c	(45.5c)	(25.1c)
Diluted earnings per share (cents)	(34.3c)	54.7c	(45.5c)	(25.1c)

	53 weeks ended 2 October 2021			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)	(27.7c)	88.3c	(144.1c)	(83.5c)
Diluted earnings per share (cents)	(27.7c)	88.3c	(144.1c)	(83.5c)

1 Please refer to Adjusted Performance Measures section for a full breakdown of adjusted measures, including a reconciliation between segmental adjusted EBITDA and statutory operating profit by line item.

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.

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.

2.2 *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 (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

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)

3 Working Capital and Funding

3.1 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.

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

3.2 Borrowings

	2022 $m	2021 $m
Current		
Lease liabilities	4.1	4.0
No-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.

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.

3.3 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	(1.3)	(1.3)
– Unwinding of discount on contingent consideration	(1.1)	(2.2)
	(2.4)	(3.5)
Net finance costs	(6.4)	(6.6)

Floating interest on bank loans has been hedged using interest rate swaps.

3.4 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)

3.5 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.

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 Protection 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 Protection 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.

3.6 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