PRELIMINARY RESULTS FOR THE YEAR
ENDED 30 SEPTEMBER 2021

WELL INVESTED FOR GROWTH

Paul McDonald, Chief Executive Officer:

"2021 has regretfully been a challenging year for Avon Protection and our stakeholders, however we have taken decisive action to address the body armor issues and refocus the Group as a global leader in respiratory and head protection.

Having conducted an in-depth strategic review of our armor business, we have concluded that an orderly wind-down of the body and flat armor business over the next two years to fulfil our existing body and flat armor customer commitments is in the best interest of our stakeholders as a whole.

While naturally overshadowed by events in armor, we have made further progress during the year against our strategic objectives to deliver sustainable growth. We have made significant investment to further enhance the Group's commercial and operational capability, creating a scalable platform to support our medium-term ambitions. Alongside this, we have continued to increase our pipeline of opportunities, responded to tenders for long-term contracts worth over $300 million and broadened our portfolio of contracts, reinforcing Avon Protection's position as a leading global provider of respiratory and head protection.

Whilst we expect to see continued growth in FY22, the year ahead will also be one of transition, as we begin to wind-down the armor business and refocus the Group. Supply chain disruption and customer order pattern volatility due to the ongoing COVID pandemic remain part of the backdrop entering the new financial year and so we expect the operating environment to continue to be challenging. However, with an opening order book of $117 million excluding armor, we expect our respiratory and head protection businesses to deliver growth in FY22 and we remain confident in the medium-term prospects for a refocused Avon Protection."

	30 Sept 2021	30 Sept 2020 Restated[2]	Change
Orders received	$282.7m	$209.6m	34.9%
Closing order book	$143.1m	$101.8m	40.6%
Revenue	$248.3m	$213.6m	16.2%
Adjusted[1] operating profit	$22.0m	$38.5m	(42.9)%
Adjusted[1] profit before tax	$18.9m	$36.1m	(47.6)%
Adjusted[1] basic earnings per share	60.6c	98.6c	(38.5)%
Dividend per share	44.9c	34.5c	30.1%
Net debt/(cash) excluding lease liabilities	$26.8m	$(147.7)m	
Statutory results			
Operating (loss)/profit	$(29.0)m	$8.9m	
(Loss)/profit before tax	$(35.6)m	$2.2m	
Basic (loss)/earnings per share from continuing operations	(79.9)c	12.5c	
Net debt/(cash)	$55.9m	$(118.7)m	

Strategic review of armor

- The Board has considered the strategic options available for the armor business and concluded that the best outcome for our stakeholders as a whole is an orderly wind-down of the body and flat armor business over the next two years
- Impact on our stakeholders, in particular our key customers as well as our employees and shareholders, have been central to the Board's considerations
- We will honour existing body and flat armor contractual arrangements, including the Defence Logistics Agency Enhanced Small Arms Protective Inserts, (DLA ESAPI) contract, while seeking to accelerate delivery where possible and minimise associated costs
    - Annual overhead cost savings of $15 million targeted following closure
    - Expected net cash costs of closure and right sizing the continuing operations of between $3 and 5 million in total across FY22 and FY23
    - Net present value of onerous lease liabilities totalling $11.8 million payable through 2035
    - Net exceptional non-cash costs of $31.1 million in FY21, being asset impairments of $46.8 million, partially offset by a $15.7 million contingent consideration provision release

Avon Protection a global leader in respiratory and head protection

- Respiratory protection is a well invested and growing business with strong profitability and cash generation
    - Recognised global leader in Military and First Responder Chemical, Biological, Radiological, Nuclear (CBRN) markets
    - Long-term track record of delivery and excellent customer relationships across a portfolio of contracts
    - The ramp-up of NATO framework contract for FM50 is a key growth driver
    - Further opportunities with the U.S. Department of Defence (DOD), Rest of World Military and First Responder customers being pursued
- Our helmet operations combine expertise from Team Wendy and Ceradyne, creating a global leader in head protection
    - Standard-setting business, combining industry leading ballistic shell technology and design with best-in-class liner and retention systems
    - Leading provider of high-performance ballistic head protection to the U.S. DOD with further growth opportunities to expand our head protection portfolio with this customer
    - Growing pipeline of Rest of World Military opportunities
    - Growth in First Responder from the recently launched F90 product
    - Operational synergies are being realised as expected

FY21 highlights

- Acquisition of Team Wendy in November 2020 for $130 million
- Strong order intake up 34.9% to $282.7 million (+38.8% excluding Team Wendy and armor), including orders worth $48 million under the 10-year NATO framework contract
- U.S. Army ballistic helmet contract to supply the next-generation Integrated Head Protection System (IHPS) as part of a dual source programme worth up to $88 million over two years
- Integration of the Ceradyne ballistic protection business completed
- F90 ballistic helmet combining Ceradyne ballistic and Team Wendy impact technology successfully launched in U.S. First Responder market
- Ceradyne and Team Wendy collaborated on an updated liner pad system for the next-generation IHPS

- Team Wendy ballistic helmet manufacturing insourcing completed to improve margins and reduce risk
- Significant levels of investment in the business, as well as significant progress strengthening our people, leadership team and infrastructure, including
    - o appointment of a U.S. based Chief Operating Officer
    - o reinforcement of management and controls around helmet product development ahead of IHPS first article testing
    - o roll out of SAP in the ballistic protection sites
- The CFO recruitment process is well advanced, and we expect to be in a position to update shareholders on or before the AGM in January
- Focused on developing our sustainability strategy to minimise our environmental impact and deliver our vision of being net carbon neutral by 2045

Financial overview

- Financial performance impacted by ballistic protection contract delays and COVID-related disruption
    - Revenue growth of 16.2% to $248.3 million includes a first-time contribution of $41.0 million from Team Wendy in line with expectations at the time of acquisition
    - Respiratory and head protection revenues of $241.8 million grew by 21.0%, being 0.8% excluding Team Wendy
    - Revenue growth in our Military respiratory and First Responder businesses, offset by declines in Military ballistic revenue due to the previously announced contract delays
        - Military revenue declined by 4.2% to $147.5 million with respiratory growth of 8.1% being offset by a 30.6% decline in ballistic revenues.
        - First Responder revenues increased by 1.3%, against a strong comparator in 2020, driven by very encouraging growth in our helmet portfolio.
    - Adjusted EBITDA margin of 15.1%, reflects lower than expected ballistic protection revenues with some overheads fixed in the short-term. Adjusted EBITDA margin excluding armor of 19.0%
    - Adjusted operating profit of $22.0 million and adjusted earnings per share of 60.6 cents
- Reported operating loss of $29.0 million includes
    - $14.2 million of amortisation of acquired intangibles
    - $46.8 million of asset impairments relating to the armor business,
    - a gain of $15.7 million to reduce the net present value of the contingent consideration payable to 3M due to lower revenue expectations under the DLA ESAPI contract,
    - $5.0 million of costs related to the acquisition and integration of Team Wendy and Ceradyne ballistic protection
    - a $0.7 million write off of prior year capitalised cloud computing costs.
- Strong financial position maintained
    - Cash conversion of 83.2% reflects tight control of receivables and payables in the fourth quarter, offsetting higher inventory to manage COVID related supply chain disruption
    - Net debt excluding lease liabilities of $26.8 million represents leverage of less than 1 times adjusted EBITDA
    - Strong liquidity with $200 million Revolving Credit Facility of which $40.9 million utilised at 30 September
- Final dividend per share of 30.6 cents, up 30%, resulting in total dividends for the year of 44.9 cents, also up 30%

Capital allocation policy review

- Given the strong financial position, expected cash generation in our 2022 financial year and the Board's intention not to initiate any further major merger and acquisition activity until after our 2022 financial year the Board is undertaking a review of the Group's capital allocation policy.
- As part of its review of the capital allocation policy the Board is keeping the merits of a share buyback programme under review

Outlook

- Growth expectations for FY22 and beyond are underpinned by our long-term contracts in respiratory and head protection and our strong opening order book excluding armor of $116.5 million, which provides good visibility going into the new financial year
- We are continuing to experience the impact of disruption in global supply chains and customer order pattern volatility, which we are actively working to mitigate
- Given the ongoing challenges, we are taking a cautious view on the anticipated rate of growth for FY22 at this stage in the year
- As such, the Board is guiding to revenues excluding armor, in FY22 of between $260 and 290 million, being growth of between c. 8 and 20%, with further revenue of up to $25 million from the armor business depending on the timing of DLA ESAPI product approvals
- We expect our adjusted EBITDA margin to recover materially in FY22 given operational leverage and the actions to address overheads
- 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

Notes:

[1] The Directors believe that adjusted performance measures provide a useful comparison of business trends and performance. The adjusted performance measures relate to continuing operations and exclude exceptional items including, costs associated with acquisitions, amortisation of acquired intangibles, net charges related to armor assets, discontinued operations and the unwind of the discount on the net pension liability. 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 of the Group. Further details on the Adjustment Performance Measures including reconciliations to the statutory results can be found below.

[2] 2020 has been retranslated following the change in reporting currency to U.S. dollars.

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Analyst and investor webcast

Paul McDonald, Chief Executive Officer and Nick Keveth, Chief Financial Officer, will host a presentation for analysts and investors at 9.00am this morning.

The webcast will be broadcast live at:
https://webcasting.brrmedia.co.uk/broadcast/618015c8df7b150b81e9ce4d

Dial in: +44 (0)330 336 9434

PIN: 6259641

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

Legal Entity Identifier: 213800JM1AN62REBWA71

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.

Note to editors:

Avon Protection designs and produces life critical personal protection solutions for the world's militaries and first responders. With a portfolio that includes Chemical, Biological, Radiological, Nuclear ("CBRN"), respiratory and head protection products, Avon Protection's mission is to relentlessly advance the future of protection enhancing the performance, efficiency and capability of their customers whilst providing ever increasing levels of protection.

Avon Protection operates from 7 sites employing more than 1,000 people and is listed on the London Stock Exchange (LSE: AVON).

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

Chief Executive Officer's Review

2021 has regretfully been a challenging year for Avon Protection and our stakeholders, however we have taken decisive action to address the issues of our armor business and refocus the Group as a global leader in respiratory and head protection.

Our body armor business has been impacted by first article testing failures for the legacy DLA ESAPI product in December 2020, and the next-generation Vital Torso Protection (VTP) product in November 2021. In response to these unexpected events, the Board has undertaken a strategic review of our armor business and concluded that an orderly wind-down of the body and flat armor business to fulfil our existing body and flat armor customer commitments is in the best interest of our stakeholders as a whole.

This is clearly a disappointing outcome which will impact a number of our stakeholders, however this decisive action refocuses the Group and the executive team on growing our world leading positions in respiratory and head protection. While naturally overshadowed by events in armor, we have made significant further progress in these businesses with significant levels of investment to further underpin our position as a leading provider of respiratory and head protection systems for Military and First Responder customers.

Our strategy remains focused around three core strategic pillars:

- Growing the core by maximising organic sales growth from our current product portfolio
- Pursuing selective product development to maintain our innovation leadership position
- Targeting value enhancing acquisitions to complement our existing businesses and add additional growth opportunities for the Group

This strategy is designed to grow revenue by supplying a wider range of products to our existing customers, as well as broadening our global customer base.

Over the past year, we have made further progress against these objectives and towards growing and strengthening our respiratory and head protection businesses. This includes growing orders from European customers under the NATO framework contract, and through the acquisition of our second head protection business, Team Wendy in November 2020. Combining Team Wendy with the Ceradyne ballistic helmet business acquired in January 2020 has created a global leader in military and first responder helmets, helmet liners and retention systems to add to our world leading respiratory protection business, with significant growth opportunities for the future.

Our revenue expectations, excluding armor, in the new financial year and beyond remain underpinned by long-term contract positions with the U.S. DOD, a growing customer base outside the U.S., and a growing aftermarket revenue stream driven from the installed base of our products, providing confidence and long-term visibility for our future revenues.

Sustainability

The Board recognises the importance to each of our main stakeholder groups of Environmental, Social and Governance (ESG) matters. As practice and regulation in this area continues to grow, we remain committed to delivering positive, measurable improvement in these areas seriously, whilst recognising that we are at the beginning of this journey.

We have acknowledged the need for a high-level sustainability vision, which links to the Group's purpose, as a backdrop to our strategy. We have many sustainability initiatives already in place throughout our sites, across all three aspects of ESG, and over the coming months we will be aligning our existing initiatives across all sites in order to put in place a clear strategy and framework for delivery of the Group's ESG agenda, which will include specific targets, initiatives and commitments against which stakeholders will be able to measure the Group's performance and our progress towards our vision of being net carbon neutral by 2045.

Strategic review of armor

On 12 November 2021 we announced that our 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. We also announced that we were experiencing further delays to achieving final product approval for the DLA ESAPI product following the successful completion of ballistic testing in August 2021, thereby pushing expected revenues from the second quarter into the third quarter of FY22.

As a result, the Board has conducted an in-depth strategic review of the armor business. The best interests of all stakeholders, and in particular our customers and employees in addition to our shareholders, have been at the core of our decision-making.

We have concluded that continuing the body armor business and re-developing the VTP ESAPI product is not in the best interests of our stakeholders, given the lack of certainty of obtaining product approval and of generating an acceptable return on our investment. Were we to continue to invest in this product, at best, we would be able to achieve approval in late 2022 towards the end of the four-year contract which is due to end in March 2023. As such, the balance between risk and opportunity is one that the Board considers unattractive.

The Board has also evaluated selling the body and flat armor business. The Board's expectation is that any divestment is unlikely to be achievable given the uncertainties surrounding the business.

As such, the Board has concluded that it is in the best interests of our stakeholders as a whole to undertake an orderly wind-down of the body and flat armor businesses. In the short-term, we will continue to engage with our customers and operate the businesses in order to fulfil our contractual obligations. As at 30 September 2021 our armor order book totalled $26.6 million, being $20.6 million of body armor and $5.9 million of flat armor. We will not pursue further armor contracts or further contract extensions. However, we anticipate a further $20 million order under the DLA ESAPI contract terms once product approvals have been obtained, as well as additional orders under existing flat armor contracts to facilitate the smooth transition of these customers to alternative suppliers. We anticipate up to $25 million of revenue from our armor business this year, with similar amounts in our 2023 financial year. However, we will work to fulfil our obligations as quickly as possible with closure expected during our 2023 financial year.

Following closure, the armor infrastructure and remaining assets will be sold and overheads reduced by c. $15 million. The estimated net cash costs of closure and right-sizing the retained organisation of between $3 and 5 million are expected to be weighted towards our 2023 financial year.

Following closure of the body armor business we will vacate three U.S. leasehold properties with annual lease costs of $1.7 million. The net present value of these lease liabilities as at 30 September 2021 was $11.8 million, of which $8.6 million relates to the lease for our Lexington, Kentucky facility which expires in January 2035. Following closure of the armor business we will look to mitigate these liabilities through sub-letting the properties.

We have booked impairments relating to the armor business of $46.8 million in our 2021 financial statements to fully write down the armor specific assets to their estimated recoverable amounts. This has been partially offset by a gain of $15.7 million to reduce the provision for contingent consideration payable to 3M due to lower revenue expectations under the DLA ESAPI contract, resulting in a net non cash exceptional of $31.1 million in our 2021 financial statements. There has been no impairment of the $28.0 million of goodwill relating to the Ceradyne acquisition or the Ceradyne helmet intangible assets of $28.9 million.

2021 performance

We have seen continued good commercial momentum in 2021 with an order intake for the year of $282.7 million, representing year-on-year growth of 34.9% and up 38.8% excluding Team Wendy and armor. Excluding armor, order intake was $281.0 million (2020: $ 176.0 million). We carry an order book excluding armor of $116.5 million into the new financial year, an increase of $46.2 million on last year, predominantly due to a substantial increase in orders for our Military respiratory products under the NATO framework contract.

Revenue of $248.3 million represents growth of +16.2% including a first time contribution of $41.0 million from Team Wendy. Excluding Team Wendy, revenue declined by 2.6% with our Military respiratory and First Responder businesses delivering revenue growth of 8.1% and 1.3% respectively, while Military ballistic revenue declined by 30.6% due to the delays in approval for our U.S. DOD body armor contracts. Team Wendy, which we acquired in November 2020, performed well and in line with our expectations at the time of the acquisition.

Military respiratory revenue growth of 8.1% was appreciably lower than the 31.0% growth in orders, due to significantly increased COVID-19 related disruption in the second half of the year, resulting in delays in the receipt of customer orders, supply chain disruption due to longer lead times and a tight U.S. labour market.

Ballistic protection revenues in 2021 were significantly lower than we had anticipated, as a result of contract delays. However, given our confidence, at the time, in the opportunity for this business we were committed to retaining the cost base and infrastructure necessary to support our medium-term goals. This has resulted in an adjusted EBITDA margin of 15.1% in the year.

Avon Protection a global leader in respiratory and head protection

Looking ahead, the future of Avon Protection is centred on our leading respiratory and head protection businesses, which both provide significant growth opportunities for the future.

World-leading respiratory business

The respiratory business has been at the heart of Avon Protection for well over a decade. It is a global standard-setter and market leader in the field of military and first responder respiratory protection. Built on our long-standing partnership, the U.S. DOD is the flagship customer for our Military respiratory portfolio, providing the Group with a stable, recurring revenue base as well as a key reference point for other military and first responder customers globally who look to the U.S. as a technology leader in the defence sector. Alongside deliveries of new mask, powered air and supplied air systems under our M50, M53A1 and M69 long-term contracts, we continue to benefit from sustainable revenues from filters, spares and accessories to support the installed base of over two million M50 general service respirators.

In addition to the visible order pipeline with the U.S. DOD, we have seen continued success with the broader respiratory portfolio in meeting a wider range of needs for our global customers. The award of the 10-year NATO framework contract in August 2020 provides NATO and associate members access to our respiratory portfolio and will drive growth outside of the U.S. DOD in the medium-term. During the year we have received orders totalling $48 million under this contract from six NATO members and associates including Norway, Finland, Belgium, Lithuania, Denmark and the Netherlands. We are in active dialogue with three other NATO members with a view to them joining the programme. Alongside this, we have continued to deliver the sustainment volumes of the U.K. General Service Respirator and develop a pipeline of other earlier-stage programmes that will play a part in driving growth in the medium-term.

Creating a global leader in head protection

Combining Team Wendy with the Ceradyne ballistic helmet business has created a global leader in military and first responder helmets, helmet liners and retention systems. Ceradyne is the technology leader in high performance rifle rated ballistic helmets through its partnership with the U.S. Army. In September 2021, we were pleased to announce that following the retender process, we had been awarded a new contract for the next-generation U.S. Army IHPS worth up to $87.6 million over two years on a dual source basis, together with an initial $1.3 million order for first article testing samples for delivery in the second quarter of our 2022 financial year. Production under this contract will underpin helmet revenues in 2023 and follow on from production of the existing first generation IHPS which, following the extension in March 2021, is due to end in 2022. During the year Team Wendy has collaborated with Ceradyne to develop an updated liner pad system for the next-generation IHPS helmet which is expected to be introduced in 2022 following completion of first article testing.

The body armor first article test failures, acted as a catalyst to accelerate management and process integration between the acquired Ceradyne business and Avon Protection, with a result that engineering systems and processes are considerably more robust compared to this time last year. Preparations for the next-generation first article testing are well advanced with regular reporting and progress updates being provided to the Executive Directors.

Following completion of the acquisition in November 2020, Team Wendy has performed well and in line with expectations at the time of acquisition. Whilst Team Wendy continues to operate on a standalone basis, we have integrated the business into the Avon Protection governance, management structures and performance management processes.

Team Wendy has also started to work together with the Ceradyne business within Avon Protection on major tender processes as well as opportunities to enhance our helmet portfolio. In particular, Team Wendy and Avon Protection have collaborated on the development of the next-generation IHPS liner pad system and the F90, our first combined commercial helmet for first responders and rest of the world militaries. The F90 helmet combines the Ceradyne ballistic helmet shell forming capabilities and Team Wendy's liner and retention capabilities.

In addition, we have delivered procurement benefits from utilising Avon Protection's buying power and supplier relationships as well as transferring the manufacturing of Team Wendy ballistic helmet shells to in-house production.

Our combined head protection portfolio has a growing pipeline of opportunities with the U.S. DOD, Rest of World Militaries and First Responders that will drive growth in 2022 and beyond.

First Responder well positioned for further growth

During 2021 we have seen the benefits of offering a broader range of respiratory and head protection products to our existing U.S. First Responder customers. Revenues increased by 1.3% against a strong comparator in 2020, driven by 81.3% growth in helmet revenues.

Following the launch of the F90, a lightweight mid performance ballistic helmet, in the fourth quarter of 2021, we are confident in delivering further growth from our First Responder customer base in 2022.

Investing for growth

We continue to focus on maintaining our reputation for technological excellence and innovation across both respiratory and head protection product lines. The strategic objective of our product development programme is to both increase the capability of the current platforms we provide and also to move up the value chain by providing more advanced systems for our specialist user groups. We continue to ensure our development pipeline is designed in partnership with our customers to ensure that 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 this focus on selective new product development in the year, with $13.2 million (2020: $10.1 million) of investment in new product development projects in respiratory and head protection. The increase in investment over the prior year primarily reflects the Group's growth with additional development resources and capability across the respiratory and head protection product portfolio being supplemented with the addition of Team Wendy.

In the respiratory portfolio, we have made notable investments over the year in;

- enhancing the ST54 tactical self-contained breathing apparatus;
- FM61 filter development for the NATO framework contract;
- developing a range of CBRN boots and gloves; and
- enhancements to the MCM100 underwater rebreather in association with the ongoing U.S. Navy tender process.

For the head protection portfolio, development expenditure has focused on the next-generation IHPS programme and the F90 helmet launch.

In addition to the helmet in-sourcing, Team Wendy has focused on developing an additional small sized variant of its EXFIL ballistic helmet in response to a customer specific requirement as well as developing the next-generation IHPS liner pad system, supporting development of the F90 helmet and contributing to a U.S. DOD funded research project exploring innovative helmet liner solutions to reduce traumatic brain injury.

Over the long-term, the strategy of our selective product development programme is focused on looking to the future of ever more sophisticated technical and operational requirements of serving military and first responder personnel through the development of seamlessly integrated respiratory and head protection systems with data and communications technology.

Integration of Ceradyne and Team Wendy

In the past two years we have become a focused protection business, with the acquisitions of Team Wendy and Ceradyne, alongside the sale of the milkrite | InterPuls dairy business. This has transformed the Group into a leading provider of life critical respiratory and head protection systems for military and first responder customers.

Our priority over the past year has been on the integration of the new businesses into Avon Protection. Our fully aligned management structure, through our executive leadership team, is well established and has been augmented, as we integrate our U.S. businesses into a standardised platform.

This year we have completed the transfer of the Ceradyne ballistic protection business onto Avon Protection IT and finance systems, and at the same time expanded senior management in this area to support the business for the growth ahead. Our processes across research and development, including product testing protocols, have been aligned in order that the businesses can work together effectively and share best practice.

Our current focus is on maximising the potential of our respiratory and head protection businesses and exiting the armor business. As such, the Board does not intend to initiate any further major merger and acquisition activity until after our 2022 financial year.

Strengthening our team

As we continue to grow, it is important that we continue to strengthen both our people and senior leadership team to meet our long-term aspirations and to improve the diversity of our team. During the year we have made significant progress in strengthening our team.

We have appointed Steve Genzer as a U.S. based Chief Operating Officer (COO), to oversee day-to-day operations across all aspects of the business and have expanded the Group Executive leadership team to strengthen the U.S. presence of our leaders, with the addition of Jose Rizo-Patron who leads the Team Wendy business.

We have continued to strengthen the finance structures and have added a Director of Strategy and M&A, a Director of Investor Relations, and a Group Financial Controller, whilst further strengthening our U.S. finance team.

Commercially we have welcomed a new EMEA Sales & Business Development Director, in addition to a dedicated Sales & Business Development Director for our U.S. DOD ballistic protection business.

In Human Resources we have appointed a U.S. Human Resources Director and have standardised our pay and benefits structures across our U.S. sites.

In Operations, we have added a Quality Director and centralised our Sourcing & Supply Chain structure under a unified system as we migrated to an integrated global operating platform.

To reinforce our focus on diversity and inclusion we launched a women's mentoring programme as part of Balance@Avon. The initiative aims to motivate, empower and help our female employees understand themselves and their aims and how they might work towards achieving them. The programme is currently running with 18 employees in the first cohort, each having been allocated a female mentor.

Current trading and outlook

We have a global market leading position in specialist respiratory and head protection products, with visible opportunities to grow in these markets in both the short and medium-term. We enter 2022 with a well-invested operating infrastructure, which combined with sustained investment in product development, increased management bench strength, and a strong order book, means that the Board has confidence in the prospects of the business for 2022 and beyond.

We have had a solid start to trading in our respiratory and head protection businesses in the first two months of the new financial year, with revenues excluding Team Wendy ahead of last year, despite ongoing supply chain constraints.

Our Military respiratory business is expected to show consistent delivery in the U.S. and good growth from Rest of World military customers, in particular from the NATO framework contract. Our First Responder and Team Wendy businesses are both expected to grow in line with our medium-term revenue growth expectations.

Growth expectations for FY22 and beyond are underpinned by our long-term contracts in respiratory and head protection and our strong opening order book excluding armor of $116.5 million, which provides good visibility going into the new financial year. We are continuing to experience the impact of disruption in global supply chains and customer order pattern volatility, which we are actively working to mitigate. Given the ongoing challenges, we are taking a cautious view on the anticipated rate of growth for FY22 at this stage in the year and we expect our respiratory and head protection businesses to deliver revenue in the range of $260 million to $290 million in FY22 (8% to 20% growth), with further revenue of up to $25 million from the armor business depending on the timing of DLA ESAPI product approvals.

While we expect to deliver growth, the year ahead will also be one of transition, as we wind-down the armor business and refocus the Group as a respiratory and head protection business. We expect our adjusted EBITDA margin to recover materially in FY22 as a result of the operational gearing effect and actions to reduce overheads as part of the body armor exit.

Our medium-term outlook is underpinned by multi-year military contracts across the product portfolio. Growth in Rest of World revenues in both respiratory and head protection are expected to continue, with growth over the medium-term at least in line with our long-term growth KPIs, and the Board remains confident in the medium-term prospects for Avon Protection.

Financial Review

Avon Protection has continued to see good commercial momentum in 2021 with order intake for the year of $282.7 million up 34.9% on last year and revenue of $248.3 million up 16.2%. However, the results for the year have been impacted by the delays to the product approvals for the U.S. DOD body armor contracts which has triggered impairment charges against the armor assets thereby resulting in a statutory operating loss of $29.0 million (2020: profit of $8.9 million), and, subsequent to year-end, has led to a strategic review of the armor business.

	2021	2020 Restated[2]	Change
Orders received	$282.7m	$209.6m	34.9%
Closing order book	$143.1m	$101.8m	40.6%
Revenue	$248.3m	$213.6m	16.2%
Adjusted[1] EBITDA	$37.6m	$49.0m	(23.3)%
Adjusted[1] EBITDA margin	15.1%	22.9%	-780 bps
Adjusted[1] operating profit	$22.0m	$38.5m	(42.9)%
Adjusted[1] net finance costs	$(3.1)m	$(2.4)m	29.2%
Adjusted[1] profit before tax	$18.9m	$36.1m	(47.6)%
Adjusted[1] taxation	$(0.3)m	$(5.9)m	(94.9)%
Adjusted[1] profit after tax	$18.6m	$30.2m	(38.4)%
Adjusted[1] basic earnings per share	60.6c	98.6c	(38.5)%
Dividend per share	44.9c	34.5c	30.1%
Net debt/(cash) excluding lease liabilities[1]	$26.8m	$(147.7)m	
Cash conversion[1]	83.2%	81.6%	+160bps
Statutory results			
Operating (loss)/profit[3]	$(29.0)m	$8.9m	
Net finance costs	$(6.6)m	$(6.7)m	
(Loss)/profit before tax	$(35.6)m	$2.2m	
Taxation	$11.1m	$1.6m	
(Loss)/profit after tax from continuing operations	$(24.5)m	$3.8m	
(Loss)/profit from discontinued operations	$(1.1)m	$6.9m	
Gain on divestment	-	$160.7m	
(Loss)/profit for the year	$(25.6)m	$171.4m	
Basic (loss)/earnings per share from continuing operations	(79.9)c	12.5c	
Net debt/(cash) [1]	$55.9m	$(118.7)m	

[1] The Directors believe that adjusted performance measures provide a useful comparison of business trends and performance. The adjusted performance measures relate to continuing operations and exclude exceptional items including, costs associated with acquisitions, amortisation of acquired intangibles, net charges related to armor assets, discontinued operations and the unwind of the discount on the net pension liability. 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 of the Group. Further details on the Adjustment Performance Measures including reconciliations to the statutory results can be found below.

[2] 2020 has been retranslated following the change in reporting currency to U.S. dollars.

[3] The reported operating loss includes $14.2 million of amortisation of acquired intangibles, $46.8 million of asset impairments relating to the armor business, a gain of $15.7 million to reduce the net present value of the contingent consideration payable to 3M due to lower revenue expectations under the DLA ESAPI contract, $5.0 million of costs related to the acquisition and integration of Team Wendy and the Ceradyne ballistic protection business, and a $0.7 million write off of prior year capitalised cloud computing costs.

Our orders received for the year totalled $282.7 million (2020: $209.6 million) up 34.9%, reflecting strong momentum across our portfolio of life critical personal protection systems for the world's militaries and first responders. Excluding Team Wendy, which has been part of Avon Protection for 11 months of the financial year and contributed $36.6m of orders, orders received grew by 17.4% with Military growing by 24.6% and First Responder by 0.3%.

The closing order book of $143.1 million (2020: $101.8 million) reflects a 40.6% increase on last year, or 37.4% excluding the $3.2 million Team Wendy closing order book.

The first-time contribution from Team Wendy supported revenue growth of 16.2% to $248.3 million (2020: $213.6 million). Excluding Team Wendy revenue was $208.0 million, a decrease of 2.6%. This was a result of declining Military ballistic revenue due to the contract delays announced in December 2020, offset by revenue growth in our Military respiratory and First Responder businesses.

Adjusted EBITDA of $37.6 million is down 23.3% versus last year (2020: $49.0 million). The adjusted EBITDA margin of 15.1%, down 780 bps, is impacted by the lower ballistic protection revenues, reflecting the impact of operational gearing, with some overheads fixed in the short-term.

Adjusted operating profit of $22.0 million (2020: $38.5 million) is after adjusted depreciation, amortisation and impairment of $15.6 million (2020: $10.5 million), a decrease of 42.9% over last year.

Adjusted net finance costs increased to $3.1 million (2020: $2.4 million) due to higher bank facility costs.

After an adjusted tax charge of $0.3 million (2020: charge of $5.9 million), the Group recorded an adjusted profit for the period after tax of $18.6 million (2020: $30.2 million). The tax charge for the year includes benefits of $2.4 million from prior year credits and the revaluation of the U.K. deferred tax assets following the announced increase of the U.K. corporate tax rate to 25% from 1 April 2023. In the medium-term the Group expects the adjusted tax rate to be approximately 21% in the absence of any increase to U.S. federal tax rates.

Adjusted basic earnings per share decreased by 38.5% to 60.6 cents (2020: 98.6 cents).

On a reported basis, after taking account of $14.2 million of amortisation of acquired intangibles, $46.8 million of asset impairments relating to the armor business, a gain of $15.7 million to reduce the net present value of the contingent consideration payable to 3M due to lower revenue expectations under the DLA ESAPI contract, $5.0 million of costs related to the acquisition and integration of Team Wendy and the Ceradyne ballistic protection business, and a $0.7 million write off of prior year capitalised cloud computing costs, statutory operating loss was $29.0 million (2020: profit of $8.9 million).

Statutory net finance costs of $6.6 million (2020: $6.7 million) includes $1.3 million (2020: $1.0 million) of discount unwind relating to the U.K. pension scheme and a discount unwind of $2.2 million (2020: $2.9 million) relating to the contingent consideration payable to 3M. The loss before tax was $35.6 million (2020: profit of $2.2 million) and, after a tax credit of $11.1 million (2020: credit of $1.6 million) reflecting the prior credits and deferred tax revaluation included in the adjusted tax charge, the loss for the period from continuing operations was $24.5 million (2020: profit of $3.8 million). Basic losses per share from continuing operations were 79.9 cents (2020: earnings of 12.5 cents).

Revenue	Respiratory	Ballistic[1]	2021 $m Total	Respiratory	Ballistic[1]	2020 Restated $m Total
Military	113.5	34.0	147.5	104.9	49.0	153.9
First Responder	55.1	5.4	60.5	56.7	3.0	59.7
Avon Protection	168.6	39.4	208.0	161.6	52.0	213.6
Team Wendy	-	41.0	41.0	-	-	-
Eliminations	-	(0.7)	(0.7)	-	-	-
Total	168.6	79.7	248.3	161.6	52.0	213.6

[1] Military Ballistic revenue includes armor revenues of $6.5 million (2020: $13.7 million)

Military

Military revenues declined by 4.2% to $147.5 million (2020: $153.9 million) with respiratory revenue growth of 8.1% being offset by a 30.6% decline in ballistic revenues as a result of delays to the U.S. DOD body armor contracts.

U.S. DOD revenues of $119.7 million (2020: $127.5 million), reflect the decline in ballistic revenues offset by higher respiratory revenues. During the year we continued to install the base volumes for the IHPS helmet, the M69 aircrew mask and the M53A1 mask and powered air system. Alongside this, we continued to see the benefit of the large installed base of two million M50 masks with strong associated revenues from filters, spares and accessories alongside new mask deliveries across the period.

Stable rest of world revenues of $27.8 million compared to $26.4 million in 2020, reflects first deliveries under the NATO framework contract.

Our opening order book for 2022 of $129.9 million (2021: $94.0 million) provides excellent revenue visibility for 2022 and is comprised of $79.2 million respiratory orders and $50.7 million ballistic orders. $43.6 million of the order book relates to rest of world customers with the remaining $86.3 million U.S. DOD.

First Responder

First Responder revenue increased by 1.3%, against a strong comparator in 2020 to $60.5 million (2020: $59.7 million). Increasing demand from U.S. law enforcement agencies for the Ceradyne ballistic helmet range following its launch through our respiratory sales force in July 2020 resulted in growth in ballistic revenues of 81.3%, offsetting the decline in respiratory revenues.

The momentum and benefit of adding the ballistic protection portfolio last year continues to build and we are pleased with the progress being made through our distribution network as sales of ballistic helmets have delivered strong growth versus the prior year. We have strong traction in our First Responder markets and together with a $10.0 million opening order book gives us a confident outlook going into the new financial year.

Team Wendy

We completed the acquisition of Team Wendy on 2 November 2020, so the results for the year include the first 11 months of ownership. Over the period we have benefitted from revenue of $41.0 million with broadly half of those sales being for ballistic helmets and the balance of sales to a very broad range of customers procuring non-ballistic helmets, helmet pads and liner and retention systems.

Team Wendy benefits from a diversified customer base with broadly two thirds of the revenues being from Military customers and one third from First Responder customers. The opening order book of $3.2 million for 2022 reflects the short cycle nature of the business and the quick turnaround of order fulfilment.

Research and development expenditure

In line with our strategy and to maintain our leadership position in technological excellence we continue to invest in the next generation of products and our total investment in research and development (capitalised and expensed) amounted to $19.1 million (2020: $11.8 million) of which $7.8 million (2020: $5.5 million) relates to our respiratory portfolio, $5.4 million (2020: $4.6 million) to the development of our helmets portfolio and $5.9 million (2020: $1.7 million) to the armor portfolio which has subsequently been impaired. Total research and development as a percentage of revenue was 7.7% (2020: 5.5%).

	2021 $m	2020 Restated $m
Total expenditure	19.1	11.8
Less customer funded	(2.3)	(2.6)
Group expenditure	16.8	9.2
Capitalised	(15.0)	(6.8)
Amortisation and impairment of development expenditure	12.4	3.6
Total income statement impact	14.2	6.0
Revenue	248.3	213.6
R&D spend as a % of revenue	7.7%	5.5%

The increase in investment over the prior year primarily reflects the Group's growth with additional development resources and capability across the respiratory and ballistic product portfolio being supplemented with the addition of Team Wendy.

Over the year we have made notable investment in enhancing the Supplied Air ST54 tactical self-contained breathing apparatus, the FM61 filter development for the NATO framework contract and developing a range of CBRN boots and gloves. There has also been a focus on enhancements to the MCM100 underwater rebreather in association with the ongoing U.S. Navy tender process.

Development expenditure for the ballistic protection portfolio has focused on the next-generation IHPS programme, the F90 helmet launch and $5.9 million (2020: $ 1.7 million) in respect of body armor first article testing.

Team Wendy has focused on developing a small size variant of its EXFIL ballistic helmet in response to a customer specific requirement as well as developing the next-generation IHPS liner pad system, supporting development of the F90 helmet and contributing to a U.S. DOD funded research project exploring innovative helmet liner solutions to reduce traumatic brain injury.

Net cash and cash flow

	2021 $m	2020 Restated $m
Adjusted continuing EBITDA	37.6	49.0
Fair value of share-based payments	0.7	1.8
Defined benefit pension scheme cost	1.2	0.9
Working capital[1]	(8.2)	(11.7)
Cash flows from continuing operations before the impact of exceptional items	31.3	40.0
Acquisition and integration costs	(4.4)	(10.9)
Cash flows from continuing operations	26.9	29.1
Cash flows from discontinued operations	(3.3)	9.0
Cash flow from operations	23.6	38.1
Payments to pension plan	(2.9)	(27.8)
Net interest	(2.7)	(3.5)
Repayment of lease liability	(3.7)	(2.0)
Tax excluding capital gains tax paid on divestment[2]	(4.3)	(3.5)
Purchase of property, plant and equipment	(11.7)	(7.8)
Capitalised development costs and purchased software	(19.9)	(12.1)
Acquisitions net of acquired cash of $1.1million (2020: nil)	(130.9)	(91.2)
Divestments, net of costs and capital gains tax paid[2]	(6.2)	207.2
Investing and financing activities used in divestments	-	(2.6)
Purchase of own shares	(4.3)	-
Dividends to shareholders	(12.1)	(8.9)
Net proceeds from loan drawdowns	1.4	39.4
Foreign exchange	0.6	2.3
(Decrease)/increase in net cash	(173.1)	127.6
Opening net cash, excluding lease liabilities	147.7	59.5
(Decrease)/increase in net cash	(173.1)	127.6
Net loan drawdowns	(1.4)	(39.4)
Closing net (debt)/cash, excluding lease liabilities	(26.8)	147.7

1 2021 working capital excludes $1.7m armor inventory impairment and $2.4m inventory acquisition accounting adjustments (2020: $7.7m inventory **acquisition accounting adjustments**). These are included within changes in inventory in the statutory reconciliation of cash flow from operations.

2 Cash flows from divestments in the year 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 $31.3 million (2020: $40.0 million). Cash flows from continuing operations before exceptional items as a percentage of adjusted EBITDA of 83.2% (2020: 81.6%) were impacted by the build-up of inventory to manage the impact of longer material lead times arising due to COVID-19 related supply chain disruptions, offset by tight control of receivables and payables in the fourth quarter of the year. We expect cash conversion to return in line with our target of 90% or above, in 2022.

Total capital expenditure was $31.6 million (2020: $19.9 million) including $15.0 million of capitalised development costs and $4.9 million of IT infrastructure investment relating to the integration of the ballistic protection business.

Dividends paid were $12.1 million (2020: $8.9 million) reflecting the 30% increase in the 2020 final and 2021 interim dividends. The cash outflow in respect of the divestment of milkrite | InterPuls was principally payment of $9.0 million capital gains tax offset by final consideration receipts of $3.4 million.

Net debt was $55.9 million (2020: net cash $118.7 million), which includes lease liabilities of $29.1 million (2020: $29.0 million). Excluding lease liabilities, net debt was $26.8 million (2020: net cash $147.7 million).

The move from a net cash to a net debt position is principally due to the acquisition of Team Wendy which completed at the start of November for a cash consideration net of acquired cash of $130.9 million, with associated acquisition costs of $4.4 million paid in the year.

During the year we exercised our option to extend the maturity of our $200 million revolving credit facility (RCF) to 8 September 2024. We have a further one-year extension option which is exercisable in 2022. As at 30 September 2021 $40.9 million of the RCF was drawn.

The RCF is subject to financial covenants measured on a bi-annual basis. These include a limit of 3.0 times for the ratio of net debt, excluding lease liabilities, to adjusted EBITDA (leverage). The Group was in compliance with all financial covenants during the current and prior financial years.

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

Our strong balance sheet and undrawn RCF facilities provide us with capacity to deliver our growth strategy.

Strategic review of armor

As highlighted in the Chief Executive Officer's review, the Board has conducted an in-depth strategic review of the armor business and concluded that it is in the best interests of our stakeholders as a whole to undertake an orderly wind-down of the body and flat armor businesses. The following tables summarise the contribution of the armor business to the Group's financial statements in our 2021 financial statements.

Armor	30 Sept 2021	30 Sept 2020
Orders received	$1.7m	$33.6m
Closing order book	$26.6m	$31.4m
Revenue	$6.5m	$13.7m

2021 Adjusted	Armor $m	Respiratory & Head $m	Total $m
Orders received	1.7	281.0	282.7
Closing order book	26.6	116.5	143.1
Revenue	6.5	241.8	248.3
Adjusted EBITDA	(8.4)	46.0	37.6
Adjusted EBITDA margin	(129.2)%	19.0%	15.1%
Adjusted operating profit/(loss)	(10.5)	32.5	22.0

2021 Adjustments	Armor $m	Respiratory & Head $m	Total $m
Revenue	-	-	-
EBITDA[1]	14.0	(5.0)	9.0
Operating profit/(loss)[2]	(38.4)	(12.6)	(51.0)

2021 Total	Armor $m	Respiratory & Head $m	Total $m
Revenue	6.5	241.8	248.3
EBITDA	5.6	41.0	46.6
Operating profit/(loss)	(48.9)	19.9	(29.0)

1 Armor EBITDA adjustments totalling a credit of $14.0m comprise a gain of $15.7 million to reduce the provision for contingent consideration payable to 3M, less $1.7m armor inventory impairments.

2 Armor operating profit adjustments totalling a charge of $38.4m comprise a gain of $15.7 million to reduce the provision for contingent consideration payable to 3M, less impairments relating to the armor business of $46.8 million and amortisation of armor specific amortisation acquired intangibles of $7.3m.

We have booked impairments relating to the armor business of $46.8 million in our 2021 financial statements to fully write down the armor specific assets to their estimated recoverable amounts. This has been partially offset by a gain of $15.7 million to reduce the provision for contingent consideration payable to 3M due to lower revenue expectations under the DLA ESAPI contract, resulting in a net non cash exceptional of $31.1 million in our 2021 financial statements. The following table sets out the carrying values of the armor assets, the impairments reflected in the 2021 financial statements and the remaining recoverable amounts.

	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 assets/(impairment)	58.9	(46.8)	12.1
Contingent consideration provision	(21.7)	15.7	(6.0)
Total net impact	37.2	(31.1)	6.1

Following completion of this impairment review, there has been no impairment of the $28.0 million of goodwill relating to the Ceradyne acquisition or the Ceradyne helmet intangible assets of $28.9 million.

Following closure, the armor infrastructure and remaining assets will be sold and overheads reduced by c. $15 million. The estimated net cash costs of closure and right-sizing the retained organisation of between $3 and 5 million are expected to be weighted towards our 2023 financial year.

Following closure of the body armor business we will vacate three U.S. lease hold properties with annual lease costs of $1.7 million. The net present value of these lease liabilities as at 30 September 2021 was $11.8 million, of which $8.6 million relates to the lease for our Lexington, Kentucky facility which expires in January 2035. Following closure of the armor business we will look to mitigate these liabilities through sub-letting the properties.

In our reporting going forward, we will focus on the ongoing respiratory and head protection businesses, while providing a detailed breakdown of the outgoing armor operations. The armor business is expected to be classified as a discontinued operation in the future.

Acquisition of Team Wendy

The acquisition of Team Wendy was completed on 2 November 2020, and our 2021 financial statements reflect the results from the first 11 months of ownership.

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 of $51.4 million resulting in a fair value of net assets acquired of $73.7 million.

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. All of the goodwill and acquired intangibles totalling $110.0 million are expected to be deductible for tax purposes over 15 years from the date of acquisition.

From the first 11 months of ownership, Team Wendy contributed $41.0 million to revenue, adjusted EBITDA of $12.3 million (at an adjusted EBITDA margin of 30.0%) 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.

Acquisition costs of $2.2 million were expensed in the year, following the recognition of $7.4 million of such costs during the 2020 financial year. Acquisition costs of $4.4 million were paid in the period (2020: $4.8 million).

Divestment of milkrite | InterPuls

In September 2020 the Group divested the entire milkrite | InterPuls business. As part of the sale and purchase agreement, the Group entered into a Manufacturing Service Agreement with the purchasers of milkrite | InterPuls to support ongoing manufacturing whilst arrangements are made to relocate manufacturing equipment from a previously shared 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. As the activities under these agreements are not part of the continuing operations of the Group, the revenue and costs associated with these agreements have been classified as discontinued operations. During the year the loss from milkrite | InterPuls discontinued operations was $1.1 million (2020: profit of $6.9 million).

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 15 years. The net pension liability for this scheme amounted to $68.3 million as at 30 September 2021 (2020: $79.6 million). During the year the Group made payments to the fund of $2.9 million (2020: $27.8 million) in respect of scheme expenses and deficit recovery plan payments. In accordance with the deficit recovery plan agreed following the 31 March 2019 actuarial valuation, the Group will make payments in FY22 of $4.6 million and $4.9 million in FY23 in respect of deficit recovery plan payments and scheme expenses.

Financial risk management

The Group has clearly defined policies for the management of foreign exchange risk. Exposures resulting from sales and purchases in foreign currency are matched where possible and net exposure may be hedged by the use of forward exchange contracts. There are no open forward exchange contracts as at 30 September 2021.

Credit and counterparty risk are managed through the use of credit evaluations and credit limits.

Borrowings and overdrafts are at floating interest rates. The Group does not carry out any interest rate hedging.

Currency effect and change of reporting currency

On 1 October 2020 the Group changed its reporting currency to U.S. dollars for the 2021 financial year, reflecting the currency in which the vast majority of the Group's income is earned and costs incurred. This substantially reduced the translational exposure of the Group compared to its previous sterling reporting. Following the change in reporting currency, the Group has a small remaining translational exposure principally relating to the corporate costs and some manufacturing costs in the U.K. which are incurred in sterling. A one cent movement in the exchange rate impacts operating profit by approximately $0.2 million.

Dividends

The Board is recommending a final dividend of 30.6 cents per share (2020: 23.5 cents) which together with the 14.3 cents per share interim dividend gives a total dividend of 44.9 cents (2020: 34.5 cents), up 30% on last year. The final dividend will be paid in pounds sterling on 11 March 2022 to shareholders on the register at 11 February 2022 with an ex-dividend date of 10 February 2022. The final dividend will be converted into pounds sterling for payment at the prevailing exchange rate immediately prior to payment.

Our policy is to maintain a progressive dividend policy balancing dividend increases with the rates of adjusted earnings per share growth achieved, taking into account potential acquisition spend and the Group's financing position. Over recent years, we have grown the dividend per share by 30% per annum in order to reduce the ratio of dividend per share to adjusted earnings per share towards two times, with the intention of growing the dividend in line with the growth in adjusted earnings per share once the adjusted cover ratio reaches two times.

Given the impact on the financial result for 2021 of the body armor contract delays, the recommended dividend results in an adjusted cover ratio of 1.3 times (2020: 2.9 times). On a statutory continuing basis the ratio was a deficit of 1.8 times (2020: cover of 0.4 times). In recommending this year's final dividend the Board has taken into account that, given its expectations for 2022, the adjusted cover ratio is expected to recover to two times next year.

Capital allocation policy review

Given the strong financial position, expected cash generation in our 2022 financial year and the Board's intention not to initiate any further major merger and acquisition activity until after our 2022 financial year the Board is undertaking a review of the Group's capital allocation policy. As part of the review of the capital allocation policy the Board will consider the merits of a share buyback programme.

Adjusted Performance Measures

Performance Measurement

The Directors assess the operating performance of the Group based on adjusted measures of EBITDA, operating profit, net finance cost, taxation and earnings per share, as well as other measures not defined under IFRS including orders received, closing order book, organic revenue growth, EBITDA margin, cash conversion, Return on Capital Employed and net debt excluding lease liabilities. 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 within the Group.

The following table summarises the statutory and adjusted profit and loss account measures for the year together with the adjustments made to each line item.

	2021			2020 - restated[1]		
	Adjusted $m	Adjustments $m	Total $m	Adjusted $m	Adjustments $m	Total $m
Continuing operations						
Revenue	248.3	–	248.3	213.6	–	213.6
Cost of sales	(165.4)	(4.1)	(169.5)	(122.4)	(7.7)	(130.1)
Gross profit	82.9	(4.1)	78.8	91.2	(7.7)	83.5
Selling and distribution costs	(22.2)	–	(22.2)	(17.4)	–	(17.4)
General and administrative expenses	(38.7)	(46.9)	(85.6)	(35.3)	(21.9)	(57.2)
Operating (loss)/profit	22.0	(51.0)	(29.0)	38.5	(29.6)	8.9
Operating profit						
EBITDA	37.6	9.0	46.6	49.0	(21.3)	27.7
Depreciation, amortisation and impairment	(15.6)	(60.0)	(75.6)	(10.5)	(8.3)	(18.8)
Operating (loss)/profit	22.0	(51.0)	(29.0)	38.5	(29.6)	8.9
Net finance costs	(3.1)	(3.5)	(6.6)	(2.4)	(4.3)	(6.7)
(Loss)/Profit before taxation	18.9	(54.5)	(35.6)	36.1	(33.9)	2.2
Taxation	(0.3)	11.4	11.1	(5.9)	7.5	1.6
(Loss)/Profit for the year from continuing operations	18.6	(43.1)	(24.5)	30.2	(26.4)	3.8
Discontinued operations – gain on disposal	–	–	–	–	160.7	160.7
Discontinued operations – (loss)/profit from discontinued operations	–	(1.1)	(1.1)	–	6.9	6.9
(Loss)/profit for the year	18.6	(44.2)	(25.6)	30.2	141.2	171.4
Basic (loss)/earnings per share	60.6c	(144.1c)	(83.5c)	98.6c	461.9c	560.5c
Diluted (loss)/earnings per share	60.3c	(143.3c)	(83.0c)	97.3c	455.6c	552.9c

1 On 1 October 2020, the Group changed its reporting currency from sterling to U.S. dollars. See section 1, General information and Basis of Preparation, for further details.

Adjustments to operating profit

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.

	2021 $m	2020 $m restated[1]
Operating (loss)/profit	(29.0)	8.9
Amortisation of acquired intangibles[2]	14.2	8.3
Items related to armor assets		
Impairment of acquired intangibles	11.3	–
Impairment of development expenditure	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	1.7	–
Release of contingent consideration	(15.7)	
Net charge related to armor assets	31.1	–
Acquisition costs	2.6	10.7
Integration costs	–	2.9
Inventory fair value acquisition accounting adjustment	2.4	–
Inventory pro-forma acquisition accounting adjustment (unaudited)	–	7.7
Write down of brought forward capitalised cloud computing costs	0.7	–
Other adjusting items	5.7	21.3
Adjusted operating profit	22.0	38.5
Depreciation	10.4	6.5
Other impairment charges	0.4	–
Other amortisation charges	4.8	4.0
Adjusted EBITDA	37.6	49.0

1 On 1 October 2020, the Group changed its reporting currency from sterling to U.S. dollars. See section 1, General information and Basis of Preparation, for further details.

2 $7.3m of 2021 amortisation charges for acquired intangible assets relate to the armor business.

Amortisation of acquired intangibles

Amortisation charges for acquired intangible assets of $14.2m (2020: $8.3m) are considered exceptional as they do not change each period based on underlying business trading and performance.

Items related to armor assets

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 is experiencing further delays to achieving final product approval for the DLA ESAPI product, pushing expected revenues from the second quarter into the third quarter of FY22.

The failure of the VTP ESAPI body armor product is considered an adjusting event that provides evidence of conditions that existed at the end of the reporting period. As such the Group performed an impairment review of assets at 30 September 2021 removing all future revenue for VTP ESAPI body armor. The review also incorporated reduced revenue expectations for DLA ESAPI in line with minimum volumes for the base and two extension years.

The review resulted in total non-current asset impairments of $45.1m in respect of assets relating to the armor business acquired from 3M as part of the ballistic protection acquisition. In addition, inventory provisions of $1.7m were recognised against VTP ESAPI armor materials.

Offsetting these charges, a gain of $15.7m 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.

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 2021 trading performance.

Acquisition costs, integration costs and acquisition 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.

- Acquisition costs of $2.6m (2020: $10.7m) relating to the acquisition of Team Wendy and the 3M ballistic protection business.
- In 2020, the exceptional costs also included transition costs of $2.9m in relation to the acquisition of the 3M ballistic protection business.
- Acquisition accounting adjustment of $2.4m to account for acquired inventory at the underlying historic cost before the fair value adjustments arising on acquisition.
- In 2020, an unaudited pro-forma acquisition accounting adjustment to inventory was made for $7.7m. This reflected the difference between fair value of inventory acquired from 3M and the estimated cost of that inventory based on the cost structure associated with the business acquired. No such adjustments has been made in respect of the Team Wendy acquisition.

Other exceptional items

The write down of brought forward capitalised costs as at 1 October 2020 relating to configuration and customisation costs of cloud computing arrangements $0.7m (2020: Nil), following newly issued guidance by the IFRS Interpretations Committee. This change in guidance was unrelated to the underlying trading performance of the Group hence has been presented as exceptional. Costs associated with configuration and customisation of cloud computing arrangements incurred in the 2021 financial year have been expensed as incurred and included within the adjusted performance measures.

Adjustments to net finance costs

Adjusted net finance costs excludes exceptional items considered unrelated to the underlying trading performance of the Group.

	2021 $m	2020 $m restated[1]
Net finance costs	6.6	6.7
Defined benefit pension unwind discount	(1.3)	(1.0)
Contingent consideration unwind discount	(2.2)	(2.9)
Finance fees written off on refinancing	–	(0.4)
Adjusted net finance costs	3.1	2.4

1 On 1 October 2020, the Group changed its reporting currency from sterling to U.S. dollars. See section 1, General information and Basis of Preparation, for further details.

- $1.3m (2020: $1.0m) 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.
- $2.2m (2020: $2.9m) unwind of discounting on contingent consideration relating to the acquisition of the 3M ballistic protection business.
- $0.4m of finance fees written off in 2020 on refinancing have been treated as exceptional as the bank facility was refinanced early to support the Team Wendy acquisition.

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 21% (2020: 22%) approximating statutory rates applicable.

(Loss)/profit from discontinued operations

The adjusted profit measures exclude the result from discontinued operations relating to the divestment of milkrite | InterPuls.

During the year, the Group incurred a loss after tax of $1.1m on these discontinued operations. The prior period contained a total profit from discontinued operations of $167.6m, being the profit after tax of milkrite | InterPuls operations of $6.9m and a post-tax gain on disposal of $160.7m.

Adjustments to (loss)/profit for the year

	2021 $m	2020 $m restated[1]
(Loss)/profit for the year	(25.6)	171.4
Amortisation of acquired intangible assets	14.2	8.3
Impairments related to armor assets	45.1	–
Armor inventory provisions	1.7	
Release of contingent consideration	(15.7)	–
Defined benefit pension unwind discount	1.3	1.0
Contingent consideration unwind discount	2.2	2.9
Finance fees written off on refinancing	–	0.4
Acquisition costs	2.6	10.7
Integration costs	–	2.9
Inventory fair value acquisition accounting adjustment	2.4	–
Inventory pro-forma acquisition accounting adjustment (unaudited)	–	7.7
Write down of brought forward capitalised cloud computing costs	0.7	–
Tax on exceptional items	(11.4)	(7.5)
Loss/(Profit) from discontinued operations	1.1	(167.6)
Adjusted profit for the year	18.6	30.2

1 On 1 October 2020, the Group changed its reporting currency from sterling to U.S. dollars. See section 1, General information and Basis of Preparation, for further details.

Adjusted earnings per share

Weighted average number of shares	2021	2020
Weighted average number of ordinary shares in issue used in basic calculation (thousands)	30,669	30,576
Potentially dilutive shares (weighted average) (thousands)	189	423
Diluted number of ordinary shares (weighted average) (thousands)	30,858	30,999

Adjusted continuing earnings per share	2021 $ cents	2020 restated[1] $ cents
Basic	60.6	98.6
Diluted	60.3	97.3

1 On 1 October 2020, the Group changed its reporting currency from sterling to U.S. dollars. See section 1, General information and Basis of Preparation, for further details.

Net debt/(cash)

	2021 $m	2020 $m restated[1]
Net debt/(cash)	55.9	(118.7)
Less lease liabilities	(29.1)	(29.0)
Net debt/(cash) excluding lease liabilities	26.8	(147.7)

1 On 1 October 2020, the Group changed its reporting currency from sterling to U.S. dollars. See section 1, General information and Basis of Preparation, for further details.

Adjusted dividend cover ratio

	2021 $ cents	2020 $ cents restated[1]
Interim dividend	14.3	11.0
Final dividend	30.6	23.5
Total dividend	44.9	34.5
Adjusted basic earnings per share	60.6	98.6
Adjusted dividend cover ratio	1.3 times	2.9 times

1 On 1 October 2020, the Group changed its reporting currency from sterling to U.S. dollars. See section 1, General information and Basis of Preparation, for further details.

Cash conversion

Cash conversion excludes the impact of exceptional items from operating cash flows and EBITDA.

	2021 $m	2020 $m restated[1]
Cash flows from continuing operations before exceptional items	31.3	40.0
Adjusted EBITDA	37.6	49.0
Cash conversion	83.2%	81.6%

Cash flows from continuing operations before exceptional items	2021 $m	2020 $m restated[1]
Cash flows from continuing operations	26.9	29.1
Acquisition and integration costs paid	4.4	10.9
Cash flows from continuing operations before exceptional items	31.3	40.0

1 On 1 October 2020, the Group changed its reporting currency from sterling to U.S. dollars. See section 1, General information and Basis of Preparation, for further details.

In the prior year the Group also presented organic cash conversion as an alternative performance measure. Given the significant acquisitions in the current and prior years, a comparison against the historic base business was no longer considered relevant, and also could not be presented consistently. Therefore this measure is no longer disclosed.

Organic revenue

	2021 $m	2020 $m restated[1]
Revenue, excluding Team Wendy	207.3	213.6

Organic revenue growth compares current year revenue with prior year revenue, excluding the impact of acquisitions.

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:

	2021 $m	2020 $m restated[1]
Shareholders' funds	205.4	69.5
Current borrowings	7.5	52.3
Non current liabilities	145.8	131.4
Capital employed	358.7	253.2
Average capital employed	382.1	222.0
Adjusted operating profit	22.0	49.4
Return on capital employed	5.8%	22.3%

Average capital employed	2021 $m	2020 $m restated[1]
Current year capital employed	358.7	253.2
Prior year capital employed	405.4	190.8
Average capital employed	382.1	222.0

In 2020, the Return on capital employed (ROCE) was adjusted to remove the impact of the milkrite | InterPuls divestment, including the proceeds from this divestment which had not been reinvested at the end of the financial year. The Directors considered this provided a fairer representation of the ROCE in 2020 given milkrite | InterPuls was held throughout the year.

The milkrite | InterPuls divestment proceeds were reinvested in 2021, principally via the acquisition of Team Wendy on 2 November 2020. This has resulted in an upwards rebasing of shareholders' funds and capital employed due to the recognition of the gain of $167.6m arising on the divestment of milkrite | InterPuls.

The following tables outline the adjustments made in 2020 to remove the impact of the milkrite | InterPuls divestment.

Shareholders' funds	2021 $m	2020 $m restated[1]
Shareholders' funds	205.4	229.5
Less sales proceeds	–	(227.3)
Add back net assets disposed	–	44.3
Add back costs of divestment	–	11.3
Add back tax on gain	–	11.7
Shareholders' funds for ROCE	205.4	69.5

Current borrowings	2021 $m	2020 $m restated[1]
Current borrowings	4.0	42.7
Current provisions for liabilities and charges	3.5	9.6
Current borrowings for ROCE	7.5	52.3

Non current liabilities	2021 $m	2020 $m restated[1]
Non current liabilities	145.8	123.6
Add back liabilities disposed	–	7.8
Non current liabilities for ROCE	145.8	131.4

Adjusted operating profit for ROCE	2021 $m	2020 $m restated[1]
Adjusted continuing operating profit	22.0	38.5
Add back adjusted discontinued operating profit (as below)	–	10.9
Adjusted operating profit for ROCE	22.0	49.4

Adjusted discontinued operating profit	2020 $m restated[1]
Profit after tax from discontinued operations	6.9
Add back taxation	1.0
Profit before tax from discontinued operations	7.9
Add back finance costs	0.1
Add back amortisation of acquired intangibles within discontinued operations	2.9
Adjusted discontinued operating profit	10.9

1 On 1 October 2020, the Group changed its reporting currency from sterling to U.S. dollars. See section 1, General information and Basis of Preparation, for further details.

The ROCE for 2020 has been restated to correct immaterial misstatements identified following the FRC's review of the Group's 2020 Annual Report and Accounts. The corrections reduce the 2020 ROCE to 22.3% from the previously reported 22.7%.

Consolidated Statement of Comprehensive Income
For the year ended 30 September 2021

	Note	2021 $m	2020 Restated[1] $m
Continuing operations			
Revenue	2.1	248.3	213.6
Cost of sales		(169.5)	(130.1)
Gross profit		78.8	83.5
Selling and distribution costs		(22.2)	(17.4)
General and administrative expenses		(85.6)	(57.2)
Operating (loss)/profit	2.1	(29.0)	8.9
Net finance costs	5.2	(6.6)	(6.7)
(Loss)/profit before taxation		(35.6)	2.2
Taxation	2.4	11.1	1.6
(Loss)/profit for the year from continuing operations		(24.5)	3.8
Discontinued operations			
Gain on divestment	6.2	–	160.7
(Loss)/profit from discontinued operations	2.2	(1.1)	6.9
(Loss)/profit for the year		(25.6)	171.4
Other comprehensive income/(expense)			
Items that are not subsequently reclassified to the income statement			
Remeasurement gain/(loss) recognised on retirement benefit scheme		16.2	(36.7)
Deferred tax relating to retirement benefit scheme	2.4	(3.1)	6.9
Deferred tax relating to change in tax rates	2.4	4.1	1.2
Deferred tax relating to other temporary differences		0.3	–
Items that may be subsequently reclassified to the income statement			
Translation reserve recycled on divestment		–	(0.7)
Net exchange differences offset in reserves		0.6	(1.7)
Cash flow hedges[2]		–	1.7
Deferred tax relating to cash flow hedges		–	(0.3)
Other comprehensive income/(expense) for the year		18.1	(29.6)
Total comprehensive (expense)/income for the year		(7.5)	141.8
Earnings per share	2.3		
Basic		(83.5c)	560.5c
Diluted		(83.0c)	552.9c
Earnings per share from continuing operations	2.3		
Basic		(79.9c)	12.5c
Diluted		(79.4c)	12.3c

1 On 1 October 2020, the Group changed its reporting currency from sterling to U.S. dollars. See section 1, General information and Basis of Preparation, for further details.

2 In the prior year the net cash flow hedge credit of $1.7m included a $3.5m credit in respect of goodwill reclassification. The credit relating to the goodwill reclassification should however have been included directly in equity rather than presented within other comprehensive income. The Directors consider this error immaterial for prior period restatement, and as such it has not been corrected. The error in presentation has no impact on the Group's total equity.

Consolidated Balance Sheet

For the year ended 30 September 2021

	Note	2021 $m	2020 Restated[1] $m	2019 Restated[1] $m
Assets				
Non-current assets				
Intangible assets	3.1	181.0	89.4	43.5
Property, plant and equipment	3.2	48.6	65.9	37.7
Deferred tax assets	2.4	40.2	29.7	18.3
		269.8	185.0	99.5
Current assets				
Inventories		62.3	36.3	25.5
Trade and other receivables		44.7	46.0	43.6
Current tax receivables		7.8	–	–
Cash and cash equivalents	4.1	14.1	187.2	59.6
		128.9	269.5	128.7
Liabilities				
Current liabilities				
Borrowings	5.1	4.0	42.7	1.7
Trade and other payables		40.0	39.5	36.8
Derivative financial instruments		–	–	1.6
Provisions for liabilities and charges	6.1	3.5	9.6	–
Current tax liabilities		–	9.6	5.1
		47.5	101.4	45.2
Net current assets		81.4	168.1	83.5
Non-current liabilities				
Borrowings	5.1	66.0	25.8	14.3
Deferred tax liabilities	2.4	6.1	5.6	6.7
Retirement benefit obligations		68.3	79.6	66.6
Provisions for liabilities and charges	6.1	5.4	12.6	2.8
		145.8	123.6	90.4
Net assets		205.4	229.5	92.6
Shareholders' equity				
Ordinary shares	5.4	50.3	50.3	50.3
Share premium account	5.4	54.3	54.3	54.3
Other reserves		(15.0)	(15.6)	(13.2)
Hedging reserve		–	–	(1.4)
Retained earnings		115.8	140.5	2.6
Total equity		205.4	229.5	92.6

1 On 1 October 2020, the Group changed its reporting currency from sterling to U.S. dollars. See section 1, General information and Basis of Preparation, for further details.

Consolidated Cash Flow Statement

For the year ended 30 September 2021

	Note	2021 $m	2020 Restated[1] $m
Cash flows from operating activities			
Cash flows from continuing operations	4.1	26.9	29.1
Cash flows from discontinued operations	4.1	(3.3)	9.0
Cash flows from operations	4.1	23.6	38.1
Retirement benefit deficit recovery contributions		(2.9)	(27.8)
Tax paid		(13.3)	(3.5)
Net cash flows from operating activities		7.4	6.8
Cash flows used in investing activities			
Proceeds from disposal of discontinued operations	6.2	3.4	217.2
Costs of divestment	6.2	(0.6)	(10.0)
Purchase of property, plant and equipment	3.2	(11.7)	(7.8)
Capitalised development costs and purchased software	3.1	(19.9)	(12.1)
Acquisition of business, net of acquired cash of $1.1million (2020: nil)	6.2	(130.9)	(91.2)
Investing cash flows used in discontinued operations		–	(1.8)
Net cash (used in)/from investing activities		(159.7)	94.3
Cash flows used in financing activities			
Proceeds from loan drawdowns	5.3	42.0	67.0
Loan repayments	5.3	(40.6)	(27.6)
Finance costs paid in respect of bank loans and overdrafts		(1.6)	(2.5)
Finance costs paid in respect of leases		(1.1)	(1.0)
Repayment of lease liability		(3.7)	(2.0)
Dividends paid to shareholders	5.5	(12.1)	(8.9)
Purchase of own shares		(4.3)	–
Financing cash flows used in discontinued operations		–	(0.8)
Net cash (used in)/from financing activities		(21.4)	24.2
Net (decrease)/ increase in cash, cash equivalents and bank overdrafts		(173.7)	125.3
Cash, cash equivalents, and bank overdrafts at beginning of the year		187.2	59.6
Effects of exchange rate changes		0.6	2.3
Cash and cash equivalents at end of the year	4.1	14.1	187.2

1 On 1 October 2020, the Group changed its reporting currency from sterling to U.S. dollars. See section 1, General information and Basis of Preparation, for further details.

Consolidated Statement of Changes in Equity

For the year ended 30 September 2021

	Note	Share capital $m	Share premium $m	Hedging reserve $m	Other reserves $m	Retained earnings $m	Total equity $m
At 30 September 2019 restated[1,2]		50.3	54.3	(1.4)	(13.2)	2.6	92.6
Profit for the year		–	–	–	–	171.4	171.4
Net exchange differences offset in reserves	–	–	–	–	(1.7)	–	(1.7)
Translation reserve recycled to P&L on divestment	2.4	–	–	–	(0.7)	–	(0.7)
Cash flow hedges		–	–	1.7	–	–	1.7
Deferred tax relating to cash flow hedges	2.4	–	–	(0.3)	–	–	(0.3)
Remeasurement loss recognised on retirement benefit scheme		–	–	–	–	(36.7)	(36.7)
Deferred tax relating to change in tax rates						1.2	1.2
Deferred tax relating to retirement benefit scheme	2.4	–	–	–	–	6.9	6.9
Total comprehensive income for the year		–	–	1.4	(2.4)	142.8	141.8
Dividends paid	5.5	–	–	–	–	(8.9)	(8.9)
Fair value of share-based payments		–	–	–	–	2.2	2.2
Deferred tax relating to employee share schemes	2.4	–	–	–	–	1.8	1.8
At 30 September 2020 restated[1,2]		50.3	54.3	–	(15.6)	140.5	229.5
Loss for the year		–	–	–	–	(25.6)	(25.6)
Net exchange differences offset in reserves		–	–	–	0.6	–	0.6
Deferred tax relating to other temporary differences	2.4	–	–	–	–	0.3	0.3
Remeasurement gain recognised on retirement benefit scheme		–	–	–	–	16.2	16.2
Deferred tax relating to change in tax rates	2.4	–	–	–	–	4.1	4.1
Deferred tax relating to retirement benefit scheme	2.4	–	–	–	–	(3.1)	(3.1)
Total comprehensive (expense)/income for the year		–	–	–	0.6	(8.1)	(7.5)
Dividends paid	5.5	–	–	–	–	(12.1)	(12.1)
Own shares acquired		–	–	–	–	(4.3)	(4.3)
Fair value of share-based payments		–	–	–	–	0.5	0.5
Current tax relating to employee share schemes	2.4	-	-	-	-	1.2	1.2

charged to equity							
Deferred tax relating to employee share schemes charged directly to equity	2.4	–	–	–	–	(1.9)	(1.9)
At 30 September 2021		50.3	54.3	–	(15.0)	115.8	205.4

1 On 1 October 2020, the Group changed its reporting currency from sterling to U.S. dollars. See section 1, General information and Basis of Preparation, for further details.

2 The Group has disaggregated the hedging reserve from retained earnings where it was previously included. Prior year retained earnings have been restated accordingly for this disaggregation.

Other reserves consist of the capital redemption reserve of $0.6m (2020: $0.6m) and the translation reserve of ($15.6m) (2020: ($16.2m)). All movements in other reserves relate to the translation reserve.

Notes to the Financial Statements

Section 1: General information and Basis of Preparation

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

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.

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (IFRSs as adopted by the EU). 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 years ended 30 September 2021 or 30 September 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the registrar of companies, and those for 2021 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.

Change in presentational currency

On 1 October 2020 the Group changed its reporting currency to U.S. dollars. As such, these financial statements including the prior year comparatives are presented in U.S. dollars with figures rounded to the nearest $0.1m.

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, taking account of the impact of the strategic review of armor and reasonably possible downsides, including the ongoing impact of COVID-19 on the operations, the Group will have sufficient funds to meet its liabilities as they fall due for that period.

The Directors have also considered the sensitivity of the assessment to severe downside scenarios. In particular, the Directors considered a severe scenario involving a 25% decline in adjusted EBITDA against latest forecast. Even in this unlikely 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. Loan covenants include a limit of 3.0 times for the ratio of net debt, excluding lease liabilities, to adjusted EBITDA (leverage).

On this basis, and on their assessment of the Group's financial position, including undrawn RCF facilities, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the approval of these financial statements. Accordingly, the Group continues to adopt the going concern basis in preparing its financial statements.

Recent accounting developments

In March 2021, the IFRS Interpretation Committee issued further guidance for the accounting treatment of configuration and customisation costs relating to cloud computing arrangements. This guidance included a requirement to re-evaluate the accounting for such costs incurred in previous reporting periods. Following an internal review during the year in line with the updated guidance, the Group expensed $0.7m of cost capitalised in prior years.

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.

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.

Significant judgements in the period included:

- A judgement on technical feasibility and therefore future successful first article testing and product approval for the next generation Integrated Head Protection System ('IHPS').
- A judgement that following the failure of first article testing on the DLA ESAPI body armor, it remained appropriate to continue recognising the previously capitalised costs and further costs to achieve final product approval were appropriate to capitalise.
- A judgement that it remained technically feasible to achieve first article testing and product approval for VTP ESAPI body armor, given the failure on the DLA ESAPI, and therefore continue to capitalise costs, prior to the failure in testing post year end.

Significant 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.

Adjusting events

The Group considers when events after the end of the reporting period should be adjusted in the financial statements. Adjusting events are those providing evidence of conditions existing at the end of the reporting period, whereas non-adjusting events are indicative of conditions arising after the reporting period.

The treatment of the VTP ESAPI body armor product failure as an adjusting event was considered a significant judgement in the period. See note 6.3 for further details and note 3.1 for the impact of this event.

Impairment review asset grouping

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.

The identification of the levels at which to group assets for the purpose of impairment testing in relation to those associated with the amor business is considered a significant judgement in the period as it required the Group to exercise judgment in respect of what assets were solely used in the armor business. See note 3.1 for further details.

Identification and valuation of acquired intangibles

Acquisitions may result in the recognition of acquired intangibles which include customer relationships, brands and trademarks, patents and order books, the identification of which are inherently judgemental.

The fair value of assets acquired is determined 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. Changes in these assumptions could have a significant impact on the carrying value of assets.

The Group engages with external experts to support the valuation of acquired intangibles and validate the assumptions made in this process.

See note 3.1 for further details including sensitivity analysis.

Section 2: Results for the year

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.

Following the divestment of milkrite | InterPuls the Group has one clearly defined reportable segment, which is made up of two aggregated operating segments Avon Protection and Team Wendy, and operates primarily out of Europe and the U.S. In the prior period, the Ceradyne ballistic protection business was also treated as a separate operating segment. This has now been fully integrated into Avon Protection. The presentation of the two operating segments as a single reportable segment is considered appropriate due to the very close alignment of customers, markets, manufacturing processes, distribution methods and regulatory environment across the underlying lines of business.

	2021 $m	2020 restated[1] $m
Revenue	248.3	213.6
Segmental result (adjusted EBITDA)[2]	37.6	49.0
Depreciation	(10.4)	(6.5)
Other impairment charges	(0.4)	–
Other amortisation charges	(4.8)	(4.0)
Items related to armor assets	(31.1)	–
Amortisation of acquired intangibles	(14.2)	(8.3)
Other adjusting items[2]	(5.7)	(21.3)
Operating (loss)/profit	(29.0)	8.9
Net finance costs	(6.6)	(6.7)
(Loss)/profit before taxation	(35.6)	2.2
Taxation	11.1	1.6
(Loss)/profit for the year from continuing operations	(24.5)	3.8
Discontinued operations – (loss)/profit for the year	(1.1)	167.6
(Loss)/profit for the year	(25.6)	171.4
Segment assets	398.7	454.5
Segment liabilities	(193.3)	(225.0)
Other segment items		
Capital expenditure		
– Intangible assets	19.9	12.3
– Property, plant and equipment	11.7	9.3

1 On 1 October 2020, the Group changed its reporting currency from sterling to U.S. dollars. See section 1, General information and Basis of Preparation, for further details.

2 Other adjusting items are outlined in the Adjusted Performance Measures section, which shows a full breakdown of adjusted measures, including a reconciliation between segmental adjusted EBITDA and statutory operating profit by line item. Other adjusting items for the prior year include a $7.7m inventory pro-forma acquisition accounting adjustment which is unaudited.

Revenue includes $130.8m (2020: $127.5m) 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

	2021 $m	2020 $m
Europe	32.3	19.3
U.S.	216.0	194.3
Total	248.3	213.6

Revenue by nature of performance obligation

	2021 $m	2020 $m
Sale of goods[1]	246.5	210.5
Provision of services[2]	1.8	3.1
	248.3	213.6

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.

Revenue by line of business – restated[1]

	Year ended 30 September 2021			Year ended 30 September 2020		
	Respiratory $m	Ballistic[2] $m	Total $m	Respiratory $m	Ballistic[2] $m	Total $m
Military	113.5	34.0	147.5	104.9	49.0	153.9
First Responder	55.1	5.4	60.5	56.7	3.0	59.7
Avon Protection	168.6	39.4	208.0	161.6	52.0	213.6
Team Wendy	–	41.0	41.0	–	–	–
Eliminations	–	(0.7)	(0.7)	–	–	–
	168.6	79.7	248.3	161.6	52.0	213.6

1 Following the change in operating segments, any revenues formerly generated through the Ceradyne ballistic protection business are subsumed into Avon Protection and have been allocated in line with the rest of the Group.
2 Military Ballistic revenue includes armor revenues of $6.5 million (2020: $13.7 million)

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. As the activities under these agreements are not part of the continuing operations of the Group, the revenue and costs during the year associated with these agreements have been classified as discontinued operations.

The results of discontinued operations are as follows:

	2021 $m	2020 $m
Revenue	4.1	68.6
Cost of Sales	(5.3)	(35.7)
Gross (loss)/profit	(1.2)	32.9
Selling and distribution costs	–	(12.0)
General and administrative expenses	(0.9)	(12.9)
Operating (loss)/profit	(2.1)	8.0
Finance costs	–	(0.1)
(Loss)/Profit before taxation	(2.1)	7.9
Taxation	1.0	(1.0)
(Loss)/Profit for the period	(1.1)	6.9
Gain on divestment (note 6.2)	–	172.4
Tax on gain on divestment	–	(11.7)
Gain on divestment	–	160.7
(Loss)/Profit from discontinued operations	(1.1)	167.6
Basic earnings per share	(3.6c)	548.0c
Diluted earnings per share	(3.5c)	540.6c

Cash flows from discontinued operations included in the cash flow statement are as follows:

	2021 $m	2020 $m
Net cash flows from operating activities	(3.3)	9.0
Net cash flows from investing activities	2.8	205.4
Net cash flows from financing activities	–	(0.8)
Net cash flows from discontinued operations	(0.5)	213.6

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 year, 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.

Weighted average number of shares	2021	2020
Weighted average number of ordinary shares in issue used in basic calculations (thousands)	30,669	30,576
Potentially dilutive shares (weighted average) (thousands)	189	423
Diluted number of ordinary shares (weighted average) (thousands)	30,858	30,999

Earnings	2021 $m	2020 $m
Basic	(25.6)	171.4
Basic – continuing operations	(24.5)	3.8
Basic – discontinued operations	(1.1)	167.6

Earnings per share	2021 $ cents	2020 $ cents
Basic	(83.5)	560.5
Basic – continuing operations	(79.9)	12.5
Basic – discontinued operations	(3.6)	548.0
Diluted	(83.0)	552.9
Diluted – continuing operations	(79.4)	12.3
Diluted – discontinued operations	(3.6)	540.6

2.4 Taxation

	2021 $m	2020 $m
U.K. current tax	0.4	(0.5)
Overseas current tax	(2.7)	(1.8)
Overseas adjustment in respect of previous periods	(0.6)	(1.7)
Total current tax credit	(2.9)	(4.0)
Deferred tax – current year	(6.5)	2.8
Deferred tax – adjustment in respect of previous periods	(1.7)	(0.4)
Total deferred tax charge	(8.2)	2.4
Total tax credit	(11.1)	(1.6)

The overseas adjustment in respect of the prior period of $0.6m (2020: $1.7m) includes a $0.3m credit in connection with the resolution of a number of prior year uncertain tax positions (2020: $1.0m).

The above table excludes tax on discontinued operations which amounted to a credit of $1.0m in the current period (2020: charge of $1.0m on profit from discontinued operations and capital gains tax on the divestment of milkrite | InterPuls of $11.7m).

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:

	2021 $m	2020 $m
(Loss)/profit before taxation	(35.6)	2.2
(Loss)/profit before taxation at the average standard rate of 19.0% (2020: 19.0%)	(6.8)	0.4
Tax allowances (U.K. and U.S.)	(0.3)	(0.8)
Non deductible expenses	0.2	0.3
Changes in tax rates	(0.9)	–
Differences in overseas tax rates	(0.7)	0.6
Adjustment in respect of previous periods	(2.6)	(2.1)
Total tax credit	(11.1)	(1.6)

The income tax credited directly to equity during the year was $1.2m (2020: $nil). The deferred tax credited directly to Other Comprehensive Income during the year was $2.6m (2020: $7.6m). The deferred tax charged directly to equity during the year was $1.9m (2020: credit of $1.8m).

Deferred tax liabilities

	Accelerated capital allowances $m	Other temporary differences $m	Total $m
At 1 October 2019	1.8	4.9	6.7
Charged/(credited) to profit for the year	3.8	(1.5)	2.3
Charged to Other Comprehensive Income	–	0.1	0.1
Removed on divestment	–	(3.5)	(3.5)
At 30 September 2020	5.6	–	5.6
Charged/(credited) to profit for the year	0.5	–	0.5
At 30 September 2021	6.1	–	6.1

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 30 September 2019	11.3	1.1	0.1	–	–	0.4	0.5	4.9	18.3
Provided on acquisition	–	–	–	–	–	–	–	0.6	0.6
(Charged)/credited against profit for the year	(4.3)	-	–	1.2	3.7	2.1	–	(1.3)	1.4
Credited/(charged) to Other Comprehensive Income	6.9	–	–	–	–	–	–	(0.5)	6.4
Impact of change in tax rates credited to Other Comprehensive Income	1.2	-	–	–	–	–	–	–	1.2
Credited to equity	–	1.8	–	–	–	–	–	–	1.8
At 30 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 year	–	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 year	–	–	–	0.6	0.2	–	0.1	–	0.9
Credited/(charged) 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 30 September 2021	17.1	1.3	–	5.1	2.8	7.5	3.4	3.0	40.2

The standard rate of corporation tax in the U.K. is 19%. The Group has unrecognised deferred tax assets of $4.7m (2020: $3.3m) 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 $18.7m and has no expiry date.

Deferred tax on pension spreading relates to excess pension contributions made in the previous year for which tax relief is spread across four years.

$1.6m of the deferred tax asset within other temporary differences relates to inventory reserves and differing cost capitalisation rules for accounting and tax purposes, with the remainder of other temporary differences relating to a number of smaller timing differences between 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 1 October 2019					
Cost	4.1	29.4	47.1	6.5	87.1
Accumulated amortisation and impairment	–	(11.1)	(27.0)	(5.5)	(43.6)
Net book amount	4.1	18.3	20.1	1.0	43.5
Year ended 30 September 2020					
Opening net book amount	4.1	18.3	20.1	1.0	43.5
Exchange differences	–	0.6	0.7	0.2	1.5
Additions	–	–	6.6	5.7	12.3
Acquisitions	28.0	38.4	–	–	66.4
Divestment of milkrite | InterPuls	(1.8)	(13.4)	(2.9)	(0.1)	(18.2)
Amortisation	–	(11.2)	(4.1)	(0.8)	(16.1)[1]
Closing net book amount	30.3	32.7	20.4	6.0	89.4
At 30 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
Year ended 30 September 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 impairment	–	–	(0.3)[2]	(0.7)[3]	(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 30 September 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

1 2020: $3.8m of the amortisation charge in the year relates to discontinued operation.
2 An ongoing development project was written off during the year as a tender to obtain additional third party funding was not successful.
3 Computer software includes the write down of $0.7m 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.

Impairment Review

Development costs (excluding armor related 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, tangible assets related to the product group and acquired intangibles where associated with the development project. 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 10.4% and 37.2% depending on the deemed associated risk profiles of each CGU.

At the year end $13.0m of development costs relate to technology under development, including $3.9m subject to final feasibility tests and $3.5m with future cash flows reliant on key customers. 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. Key customer reliance includes assumptions of contractual extensions and future contract wins.

Specifically $3.9m subject to final feasibility tests relates to the next generation Integrated Head Protection System ('IHPS'). It is assumed successful first article testing and product approval will be achieved for this product.

Where reliant on key customers if those customers choose not to renew or awards contracts to the Group, and there is no alternative use for the developed technology, approximately 15% of capitalised development cost ($3.5m) could be subject to impairment, along with associated assets. 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 4% of capitalised development costs ($1.0m) would be subject to impairment, along with associated assets.

Goodwill impairment testing

Separately, goodwill was tested for impairment by comparing the carrying values against the value in use of the relevant CGU groups, being the Avon Protection and Team Wendy operating segments. 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 Avon Protection CGU were projected to grow by 2.0% p.a. and for the Team Wendy CGU by 4.0% p.a. Cash flows were discounted to give a present value using a pre-tax discount rate of 8.9% (2020: 8.6%) for the organic Avon Protection business and 10.9% for the Team Wendy business. These discount rates were derived at using external expert advice taking into consideration current market conditions based on U.S. market data.

Sensitivity analysis demonstrates that a decrease in forecast revenue of more than 58% (2020: 60%) in relation to the organic Avon Protection business and 28% in relation to the Team Wendy business could be sustained before an impairment was required. In addition, increasing the discount rate by 2% would not lead to any indications of impairment.

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 is experiencing further delays in achieving final product approval for the DLA ESAPI product following the successful completion of ballistic testing in August 2021, thereby pushing expected revenues from the second quarter into the third quarter of FY22.

The failure of the VTP ESAPI body armor product is considered an adjusting event that provides evidence of conditions that existed at the end of the reporting period (see note 6.3). As such the Group's impairment review of assets at 30 September 2021 included the removal of all future revenue for VTP ESAPI body armor. The impairment review also incorporated reduced revenue expectations for DLA ESAPI in line with minimum volumes for the base and two extension years, given the increased uncertainty of timing of the approval following the already experienced delays during FY21, and uncertainty over whether the customer would extend the contract. The DLA revenue assumed reflects the Group's expectations at 30 September 2021, and is not related to post balance sheet events.

Impairment testing at 30 September 2021 for assets related to the armor business has been performed at multiple levels as these assets generate cash inflows along with assets in other parts of the Group. The levels the impairment testing has been performed 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. At the 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 resulted in total non-current asset impairment of $45.1m 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 $1.7m were recognised against VTP ESAPI armor materials. Offsetting these charges, a gain of $15.7m 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.

The pre tax discount rates used 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 $28.0m and the Ceradyne helmet intangible assets with a carrying value of $28.9m have therefore been unaffected by the impairment review.

The impairments have fully written down armor assets to recoverable amounts. The overall armor asset base, impairments charged and remaining recoverable amounts are summarised as follows:

Armor-specific assets	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

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 materially change 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 do 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 year additional Goodwill of $58.3m was recognised on the acquisition of the assets of Team Wendy (2020: $28.0m recognised on acquisition of the 3M ballistic protection business less $1.8m derecognised on the divestment of the milkrite | InterPuls business). Subsequent to these transactions the full carrying value of $58.3m associated with Team Wendy was recognised in the Team Wendy CGU with the full carrying value of $28.0m 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.

Acquired Intangibles

Acquired intangibles include brands, customer relationships and other intangibles:

	At 1 October 2020 Net book amount $m	Additions $m	Divestments $m	Amortisation $m	Impairment $m	At 30 September 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

	At 1 October 2019 Net book amount $m	Additions $m	Divestments $m	Amortisation $m	Foreign Exchange Difference $m	At 30 September 2020 Net book amount $m
Brand	2.1	2.4	(1.5)	(0.8)	–	2.2
Customer relationships	11.8	25.9	(9.7)	(8.2)	0.2	20.0
Other intangibles	4.4	10.1	(2.2)	(2.2)	0.4	10.5
	18.3	38.4	(13.4)	(11.2)	0.6	32.7

The valuation of acquired assets is determined at point of acquisition, using complex valuation techniques including forecasting and discounting of future cashflows. This includes assumptions such as discount rates, royalty rates and estimates for growth rates, weighted average cost of capital and useful lives.

In the current period, the Group acquired additional intangibles through the acquisition of the Team Wendy business (see note 6.2) which related to trade names ($10.4m), technology ($13.1m) and customer contracts ($28.2m). 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 lead to a reduced value of $1.6m across the acquired intangibles with a corresponding increase in value of Goodwill. A change in assumed discount factors by 1% would lead to a change in value of $2.1m and a 10% variance in assumed royalty rates would lead to a change in value of $2.4m 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 current period through the acquisition of Team Wendy at a fair value of $14.9m. As at 30 September 2021, this acquired intangible had a carrying value of $13.7m and a remaining amortisation period of 10 years.

The DLA contract was acquired in the prior period through the acquisition of the 3M ballistic protection business at a fair value of $20.0m and an initial amortisation period of three years. As a result of lower revenue expectations from this contract, an impairment of $8.3m was recognised in the year within general and administrative expenses to reduce the carrying value to $nil as at the 30 September 2021.

Other customer relationships include those associated with the acquisition of the 3M ballistic protection business originally recognised at a fair value of $5.9m amortised over five years. The remaining carrying value of these assets is $2.3m, after amortisation charges and a $1.5m impairment as a result of the armor review.

Other customer relationships also included other Team Wendy customer relationships acquired at fair value of $13.3m. As at 30 September 2021, these acquired intangibles had a carrying value of $12.4m and a remaining amortisation period of 13 years.

3.2 Property, Plant and Equipment

	Freeholds $m	Right of use assets $m	Plant and machinery $m	Leasehold Improvements $m	Total $m
At 1 October 2019					
Cost	15.5	25.2	87.8	–	128.5
Accumulated depreciation and impairment	(5.4)	(13.9)	(71.5)	–	(90.8)
Net book amount	10.1	11.3	16.3	–	37.7
Year ended 30 September 2020					
Opening net book amount	10.1	11.3	16.3	–	37.7
Exchange differences	0.4	(0.3)	0.1	–	0.2
Transfers	–	0.5	(0.5)	–	–
Additions	–	7.8	9.3	–	17.1
Acquisition	–	12.6	24.7	1.3	38.6
Disposal	–	–	(0.1)	–	(0.1)
Divestment milkrite | InterPuls	(8.4)	(2.9)	(6.5)	–	(17.8)
Depreciation charge	(0.4)	(3.3)	(6.1)	–	(9.8)[1]
Closing net book amount	1.7	25.7	37.2	1.3	65.9
At 30 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
Year ended 30 September 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)[2]	–	(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 30 September 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

1 2020: $3.3m of the depreciation charge related to discontinued operations.
2 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 re-classified $4.0m 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 of $61.2m is located within the United States of America (2020: $54.0m). The balance is located in the United Kingdom.

Armor review related impairments

The Group performed an impairment review of assets at 30 September 2021 following the failure of the VTP ESAPI body armor product (note 3.1). As a result of this review impairments totalling $25.7m were recognised on property, plant and equipment.

The right of use asset impairment of $11.7m fully writes down amounts relating the three U.S. lease hold properties that will be vacated following the expected closure of the armor business.

The plant and machinery impairment of $13.9m writes 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

4.1 Cash and cash equivalents

	2021	2020
Cash at bank and in hand	14.1	187.2

Cash at bank and in hand balances are denominated in U.S. dollars, pound sterling and euro and earn interest based on national rates.

The Group generates cash from its operating activities as follows:

	2021 $m	2020 $m
Continuing operations		
(Loss)/profit for the year	(24.5)	3.8
Adjustments for:		
Taxation	(11.1)	(1.6)
Depreciation	10.4	6.5
Amortisation of intangible assets	19.0	12.3
Impairment of non-current assets	46.2	–
Defined benefit pension scheme cost	1.2	0.9
Finance costs	3.1	2.4
Other finance expense	3.5	4.3
Change in contingent consideration	(15.7)	–
Fair value of share-based payments	0.7	1.8
Acquisition and integration costs expensed	2.6	13.6
(Increase) in inventories	(9.7)	(2.4)
Decrease/(increase) in receivables	5.4	(1.9)
Increase in payables and provisions	0.2	0.3
Cash flows from continuing operations before acquisition and integration costs	31.3	40.0
Acquisition and integration costs paid	(4.4)	(10.9)
Cash flows from continuing operations	26.9	29.1
Discontinued operations		
(Loss)/profit for the year	(1.1)	167.6
Adjustments for:		
Taxation	(1.0)	1.0
Depreciation	–	3.3
Amortisation of intangible assets	–	3.8
Finance costs	–	0.1
Gain on divestment	–	(160.7)
(Increase) in inventories	–	(1.0)
(Increase) in receivables	–	(8.3)
(Decrease)/increase in payables and provisions	(1.2)	3.2
Cash flows from discontinued operations	(3.3)	9.0
Cash flows from operations	23.6	38.1

Section 5: Funding

The Group has maintained a strong balance sheet in order to fund its growth strategy. Additional funding is available via undrawn committed facilities. The following section provides disclosures about the Group's funding position, including borrowings, finance costs, exposure to financial risks and its capital management policies.

5.1 Borrowings

	2021 $m	2020 $m
Current		
Bank loans	–	39.5
Lease liabilities	4.0	3.2
	4.0	42.7
Non Current		
Bank loans	40.9	–
Lease liabilities	25.1	25.8
	66.0	25.8
Total Group borrowings	70.0	68.5

Bank loans comprise drawings under the revolving credit facility.

The Group has the following undrawn committed facilities:

	2021 $m	2020 $m
Expiring beyond one year		
Total undrawn committed borrowing facilities	164.1	165.1
Bank loans and overdrafts utilised	40.9	39.5
Utilised in respect of guarantees	–	0.4
Total Group facilities	205.0	205.0

The Group has a revolving credit facility (RCF) with a total commitments of $200m across six lenders with an accordion option of an additional $50m. The facility matures on 8 September 2024 with a one-year extension option to 8 September 2025.

The RCF is subject to financial covenants measured on a bi-annual basis. These include a limit of 3.0 times for the ratio of net debt, excluding lease liabilities, to adjusted EBITDA (leverage). The Group was in compliance with all financial covenants during the current and prior financial years.

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 dollar LIBOR 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 revolving credit facility our U.S. operations have access to a $5.0m overdraft facility.

The table below presents the maturity analysis in respect of lease liabilities and bank loans:

	As at 30 September 2021 $m	As at 30 September 2020 $m
In one year or less, or on demand	4.0	42.7
Two to five years	55.8	14.0
More than five years	10.2	11.8
Total Group borrowings	70.0	68.5

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

	2021 $m	2020 $m
Finance Costs		
Interest payable on bank loans and overdrafts	(1.4)	(1.3)
Interest payable in respect of leases	(1.1)	(1.1)
Amortisation of finance fees	(0.6)	–
	(3.1)	(2.4)
Other Finance Expenses		
Net Interest cost: U.K. defined benefit pension scheme	(1.3)	(1.0)
Refinancing costs	–	(0.4)
Unwinding of discount on contingent consideration (note 6.1)	(2.2)	(2.9)
	(3.5)	(4.3)
Net Finance Costs	(6.6)	(6.7)

The effective interest rates at the balance sheet dates were as follows:

	2021		2020	
	Sterling %	Dollar %	Sterling %	Dollar %
Bank loans	–	1.60%	–	1.85%
Lease liabilities	6.5%	2.5%	6.5%	2.5%

5.3 Analysis of net cash/(debt)

	At 1 October 2020 $m	Cash flow $m	Non cash movements $m	Exchange movements $m	At 30 September 2021 $m
Cash at bank and in hand	187.2	(173.7)	–	0.6	14.1
Bank loans	(39.5)	(1.4)	–	–	(40.9)
Interest due on bank loans	–	1.3	(1.3)	–	–
Cash net of bank loans and interest	147.7	(173.8)	(1.3)	0.6	(26.8)
Lease liabilities	(29.0)	(4.8)	4.2	0.5	(29.1)
Net cash/(debt)	118.7	(178.6)	2.9	1.1	(55.9)

	At 1 October 2019 $m	Cash flow $m	Non cash movements $m	Exchange movements $m	At 30 September 2020 $m
Cash at bank and in hand	59.6	125.3	–	2.3	187.2
Bank loans	(0.1)	(39.4)	–	–	(39.5)
Interest due on bank loans	–	1.1	(1.1)	–	–
Cash net of bank loans and interest	59.5	87.0	(1.1)	2.3	147.7
Lease liabilities	(15.9)	3.0	(15.2)	(0.9)	(29.0)
Net cash/(debt)	43.6	90.0	(16.3)	1.4	118.7

5.4 Equity

Share capital

	No. of shares 2021	Ordinary shares 2021 $m	Share premium 2021 $m	No. of shares 2020	Ordinary shares 2020 $m	Share premium 2020 $m
Called up allotted and fully paid ordinary shares of £1 each						
At the beginning of the year	31,023,292	50.3	54.3	31,023,292	50.3	54.3
At the end of the year	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.

5.5 Dividends

On 29 January 2021, the shareholders approved a final dividend 23.5c per qualifying ordinary share in respect of the year ended 30 September 2020. This was paid on 12 March 2021 utilising $7.7m of shareholders funds (2020: $5.5m).

The Board of Directors declared an interim dividend of 14.3c (2020: 11.0 c) per qualifying ordinary share in respect of the year ended 30 September 2021. This was paid on 3 September 2021 utilising $4.4m (2020: $3.4m) of shareholders funds.

The Board is recommending a final dividend of 30.6 cents per share (2020: 23.5 cents) which together with the 14.3 cents per share interim dividend gives a total dividend of 44.9 cents (2020: 34.5 cents), up 30% on last year. The final dividend will be paid on 11 March 2022 to shareholders on the register at 11 February 2022 with an ex-dividend date of 10 February 2022.

Section 6: Other

6.1 Provisions for liabilities and charges

	Property obligations $m	Contingent consideration $m	Total $m
Balance at 30 September 2019	2.8	–	2.8
Provision reversed during the year	(0.3)	–	(0.3)
Provision released during the year due to divestment	(0.8)	–	(0.8)
Provision created during the year	0.3	–	0.3
Property provision assumed on acquisition	0.8	–	0.8
Provision for contingent consideration created during the year	–	20.0	20.0
Unwind of discount on provisions	–	2.9	2.9
Payments in the year	–	(3.4)	(3.4)
Foreign exchange movements	(0.1)	–	(0.1)
Balance at 30 September 2020	2.7	19.5	22.2
Provision created during the year	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 30 September 2021	2.9	6.0	8.9

Analysis of total provisions	2021 $m	2020 $m
Current	3.5	9.6
Non-current	5.4	12.6
	8.9	22.2

Property obligations relate to leased premises of the Group which are subject to dilapidation risks and are expected to be utilised within the next 10 years. In the prior year, movements in respect of dilapidations provisions during the year included release of provisions on exit of lease ($0.3m), provisions released as a result of the divestment of the milkrite | InterPuls business ($0.8m), and provisions created on the acquisition of the Helmets & Armor business ($0.8m), and in respect of other sites $0.3m. Property provisions are subject to uncertainty in respect of any final negotiated settlement of any dilapidation claims with landlords.

The purchase consideration in relation to the 3M ballistic protection business acquisition included contingent consideration up to a maximum of $25.0m 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

$20.0m 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 and an initial order has subsequently been received resulting in the first payment of $3.4m being made in 2020.

At the balance sheet date, the remaining contingent consideration has a fair value of $6.0m, being the present value of the future expected cash flows relating to the contract. This is expected to be settled over the next two years.

The release of $15.7m in the year is due to reduced expectations of the timing and amount of orders that will arise under this contract ($14.9m), and an increase to the discount rate applied to expected future payments ($0.8m). The range of possible outcomes could result in additional payments between $3.2m and $21.6m.

6.2 Acquisitions & divestments

Acquisition – Team Wendy

The results of the Team Wendy business are consolidated for the first time in the current period's financial statements as the acquisition was completed and control passed on 2 November 2020.

The Group acquired 100% of the equity for a total consideration of $132.0m, being the $130.0m initial consideration and purchase price adjustments of $2.0m reflecting the cash and working capital position at close. The net assets acquired had a book value of $22.3m 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 $58.3m 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 30 September, Team Wendy generated $41.0m of revenue (including $0.7m from other Group companies) and reported an operating profit of $4.6m. The operating profit is stated after amortisation of acquired intangibles of $4.0m and expensing the $2.4m 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 year, then estimated contribution to revenue would have been $44.7m and operating profit of $5.0m.

Acquisition costs of $2.2m were expensed in the year, following the recognition of $7.4m of such costs in 2020. Acquisition costs of $4.4m were paid in the period (2020 $4.8m).

Acquisition – 3M's ballistic protection business

The acquisition of the 3M ballistic protection business and the rights to the Ceradyne brand completed on 2 January 2020. The acquisition took the form of a trade and assets purchase.

The total acquisition consideration of $107.2m comprised initial consideration agreed of $91m less an initial closing adjustment of $1.6m, resulting in a payment on completion of $89.4m (£70.8m), a further post completion adjustment of $2.2m (£1.7m) resulting from the closing inventory being lower than the targeted level, plus fair value of contingent consideration of $20.0m (£15.2m).

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	25.9
Brand	2.4
Other intangible assets	10.1
Property, plant and equipment	37.2
Inventories	16.9
Lease liability	(11.5)
Accruals	(1.4)
Dilapidations provisions	(0.8)
Deferred tax	0.4
Net assets acquired	79.2
Goodwill	28.0
	107.2
Cash paid excluding acquisition expenses	89.4
Post completion inventory true up due from 3M	(2.2)
Deferred contingent consideration payable*	20.0
Total consideration	107.2

* $3.4m of the deferred contingent consideration payable was paid during the prior year subsequent to the acquisition. $3.5m of the deferred contingent consideration payable is expected to be paid in Q1 FY22.

Goodwill of $28.0m 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. All of the value of goodwill is deductible for tax purposes.

A further $0.4m of deal and transition costs were recognised in the year to 30 September 2021 and are included within general and administrative expenses (2020: $6.2m).

Divestment – milkrite | InterPuls business

In September 2020, the Group disposed of milkrite | InterPuls to DeLaval Holding BV for a cash consideration of $227.3m after customary closing adjustments. Further details are given in note 2.2.

	$m
Total consideration received	227.3
Net assets disposed	(44.3)
Costs of divestment	(11.3)
Translation reserve recycled to profit and loss on divestment	0.7
Gain on divestment	172.4
Tax on gain on divestment	(11.7)
Gain on divestment after tax	160.7

Assets and liabilities at the date of divestment were:

	$m
Intangible assets	18.2
Property, plant and equipment	17.8
Inventories	7.6
Cash	3.4
Receivables	10.1
Payables	(6.0)
Other liabilities	(6.8)
Total net assets disposed	44.3

6.3 Post balance sheet events

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 is experiencing further delays in achieving final product approval for the DLA ESAPI product following the successful completion of ballistic testing in August 2021, thereby pushing expected revenues from the second quarter into the third quarter of FY22. As a result, the Board conducted an in-depth strategic review of the armor business.

The failure of the VTP ESAPI body armor product is considered an adjusting event that provides evidence of conditions that existed at the end of the reporting period. As such the Group performed an impairment review of assets at 30 September 2021 removing all future revenue for VTP ESAPI body armor. The review also incorporated reduced revenue expectations for DLA ESAPI in line with minimum volumes for the base and two extension years, given the identified uncertainty of timing of the approval following the already experienced delays during FY21, and uncertainty over whether the customer would extend the contract. The DLA revenue assumed reflects the Group's expectations at 30 September 2021, and is not related to post balance sheet events.

The review resulted in total non-current asset impairments of $45.1m in respect of assets relating to the armor business acquired from 3M as part of the ballistic protection acquisition. In addition, inventory provisions of $1.7m were recognised against VTP ESAPI armor materials. Offsetting these charges, a gain of $15.7m 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.

The strategic review of the armor business concluded it is in the best interests of our stakeholders as a whole to undertake an orderly wind-down of trading. As a result the Group expects to incur net cash costs of closure and right-sizing the retained organisation of between $3 and 5 million over the next two years. Given the strategic review concluded after the reporting period it is considered a non-adjusting event, and the provision for closure costs will therefore be charged in the 2022 financial year as an exceptional item.