Avon Protection plc
Annual Report and Accounts 2021

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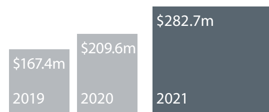
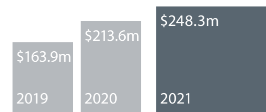
FINANCIAL HEADLINES



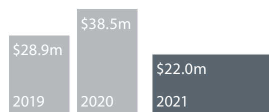
Orders received

$282.7m



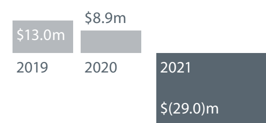
Revenue

$248.3m



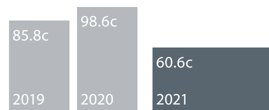
Adjusted operating profit

$22.0m



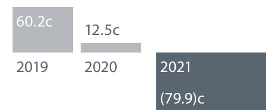
Operating (loss)/profit

$(29.0)m



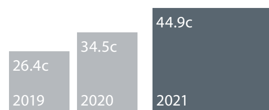
Adjusted basic earnings per share

60.6c



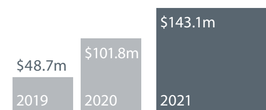
Basic earnings per share

(79.9)c



Dividend per share

44.9c



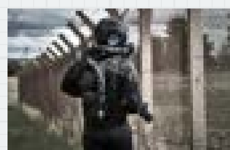
Closing order book

$143.1m

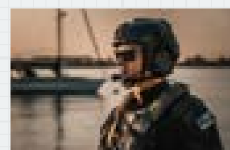
The Directors believe that adjusted performance measures provide a useful comparison of business trends and performance. The adjusted performance measures relate to continuing operations and exclude exceptional items including, costs associated with acquisitions, amortisation of acquired intangibles, 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 on page 101. 2020 has been retranslated following the change in reporting currency to U.S. dollars.

OVERVIEW OF THE YEAR

Strategic review of armor concluded an orderly wind-down of the body and flat armor business over the next two years would be in the best interests of our stakeholders as a whole.



Business is now refocused and well invested for growth as a global leader in respiratory and head protection.



We have made significant levels of investment in the business, as well as significant progress strengthening our people, leadership team and infrastructure.

Overview
01 Headlines
02 At a Glance
06 Demonstrating our Purpose
12 Why Invest in Avon Protection
14 Chair's Statement

Strategic Report
18 Military Market
20 First Responder Market
22 Product Portfolio
26 Delivering our Strategy
30 Sustainability
38 Chief Executive Officer's Review
44 Financial Review
50 How we Measure our Performance
52 Principal Risks and Risk Management
58 S172 Statement

Governance
62 Board of Directors
64 Corporate Governance Report
68 Nomination Committee Report
70 Audit Committee Report
75 Remuneration Report
96 Directors' Report

Adjusted Performance Measures
102 Adjusted Performance Measures

Financial Statements
110 Independent Auditor's Report
119 Consolidated Statement of Comprehensive Income
120 Consolidated Balance Sheet
121 Consolidated Cash Flow Statement
122 Consolidated Statement of Changes in Equity
123 Accounting Policies and Critical Accounting Judgements
130 Notes to the Group Financial Statements
160 Parent Company Balance Sheet
161 Parent Company Statement of Changes in Equity
162 Parent Company Accounting Policies
165 Notes to the Parent Company Financial Statements

Other Information
169 Notice of Annual General Meeting
175 Glossary of Financial Terms and Abbreviations
176 Shareholder Information

At a Glance

OUR PURPOSE

Our job is to protect people.

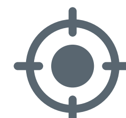
We build a level of trust with our customers so that they know our products will keep them safe and secure when they put their lives at risk.

This is achieved by looking through the eyes of our customer, understanding their needs and developing solutions that enhance their performance, efficiency and capability, whilst providing ever-increasing levels of protection thus relentlessly advancing the future of protection.

Our purpose unites us, guides us, inspires us and is underpinned by our culture to be:

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

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



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

We deliver our purpose through our strategy, which is built on three fundamental steps:

Growing the core

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

Read more / page 27

Selective product development

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

Read more / page 28

Value enhancing acquisitions

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

Read more / page 29

This is supported by:

Our people and culture

Our people are at the heart of everything we do.

Read more / page 33

Robust risk management

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

Read more / page 52

Responsible approach to sustainability

We have a fundamental role to play in minimising our impact on the world.

Read more / page 30

Effective governance

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

Read more / page 61

At a Glance continued

WE DESIGN LIFE CRITICAL PERSONAL PROTECTION SYSTEMS

7
sites

Products sold in
60+
countries

1,000+
employees

Our Focus Product Categories

Respiratory Protection

Our leading range of respiratory protection includes respirators, powered and supplied air systems, filters, spares and accessories.

68% of revenue

Read more / page 22

Head Protection

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

29% of revenue

Read more / page 24

Our Focus Markets

Military

We are a leading provider of respiratory and head protection to the U.S. DOD and other Rest of World Military customers.

Read more / page 18

First Responders

We are a trusted supplier of respiratory and head protection and have a robust network of distributors and agents selling to first responder agencies, correctional facilities, SWAT and other tactical police units.

Read more / page 20

Our Brands

Avon Protection is a leading provider of life critical personal protection systems with leading positions in the global respiratory and head protection markets for the world's militaries and first responders.

As a leading global supplier of ballistic and bump protection helmets and helmet liner and retention systems for Military and First Responder markets, Team Wendy is dedicated to providing exceptional head protection systems, designed from the inside out, for those who risk their lives every day.

Demonstrating our Purpose

PRE-EMPTIVE

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

Adapting to customer needs

Capability and threats are always evolving. We are continuously working with our customers worldwide to ensure we design, develop and deliver world leading solutions so they always have the right protection available no matter the threat.

This year we launched the F90 ballistic helmet, which was developed for the first responder market and rest of world militaries, featuring lightweight material with exceptional performance at an economical price point.

Team Wendy and Avon Protection collaborated on the development of the F90, which is our first combined commercial helmet. Through this collaboration, the F90 helmet combines the Ceradyne helmet shell forming capabilities and Team Wendy's liner and retention system capabilities.

Ceradyne's proprietary helmet shell forming and moulding technology generates exceptional performance in the F90 through high-tech, innovative lightweight material that assists in reducing operational fatigue. For enhanced ballistic integrity, their innovative 'No Thru-Hole' technology allows for the attachment of accessories to the ballistic helmet shell without bolt holes penetrating through the ballistic material.

Team Wendy's EPIC Air liner system utilises their Zorbium foam technology, offering leading-edge impact protection whilst their CAM FIT retention system stabilises the weight of the helmet by distributing light, even pressure around the head.

Integration is at the core of our capability, and the F90 has been designed to integrate seamlessly with ancillary equipment such as the respirator and other head systems. This approach to integration between soldier equipment provides the user with the highest level of performance and protection whilst still maintaining operational agility.

COMPOSITION

100%

ballistic material

WEIGHT

>15%

lighter than the ACH helmet

Demonstrating our Purpose continued

FEARLESS

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

Innovation at the front end

We understand that the technology we develop not only protects people, but also enhances their performance, efficiency and capability, allowing them to excel, whatever the mission may be.

With selective product development as one of the core pillars of our strategy, our product development programmes span the short (one year), mid (three year) and long (five+ years) term, so we maintain and evolve our product portfolio and provide a broader range with increasing protection for our customers.

To push boundaries further, we have a dedicated 'Futures' team to engage in blue sky thinking to go beyond the art of the possible and create concepts that no one has thought of before.

By combining insights from next-generation technology, market trends and drivers as well as the needs and requirements of our customers, we continue to invest in the future technology to retain our competitive edge and leading market positions.

The MCM100 is the perfect example of this approach in action. Our MCM100 underwater rebreather is specialist equipment for long endurance and deep dive operations. The system ensures maximum user capability during a range of military or tactical diving disciplines, such as mine clearance or explosive disposal.

The MCM100 has opened up a significant number of new opportunities with the U.S. and Rest of World Militaries. We have had an active year of dive trials and supplied a number of evaluation units, which has enabled us to demonstrate our leading next-generation technology to this demanding user group of military divers.

TOTAL R&D AS A PERCENTAGE OF REVENUE

7.7%

(2020: 5.5%)

INVESTMENT IN NEW PRODUCT DEVELOPMENT PROJECTS

$19.1 million

(2020: $11.8 million)

Demonstrating our Purpose continued

TARGETED

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

At the forefront of traumatic brain injury prevention

Team Wendy is a global leading manufacturer of head protection systems that also undertakes cutting-edge research to deepen our understanding of the brain and improve traumatic brain injury (TBI) prevention methods. These innovative efforts include the design and adaptation of novel ballistic helmet liner materials with the understanding of how they can be optimised to limit trauma.

In 2017, Team Wendy joined the prestigious PANTHER program – a partnership between several groups that is funded by the U.S. Office of Naval Research (ONR) – with the goal of quantifying cellular injury thresholds for TBI. Furthermore, it aims to optimise helmet testing and design methodologies around those thresholds. The exact causes of brain injury are still unknown, and there is no firm cellular injury threshold established for TBI cause or prediction.

Phase one of PANTHER concluded in FY21 and Team Wendy engineers led experiment execution. Research findings were featured at the 2019 Military Health System Research Symposium and a paper published in Military Medicine in September 2021. The paper provides a scientific basis for combat helmet test requirements to include rotational impact tests to account for cellular injury thresholds. The additional data would improve the test's conception of TBI caused by severe head impacts.

Currently, military combat helmets are evaluated by linear acceleration thresholds, which originated from skull fracture prediction. The study examined predicted brain cell damage in both linear and rotational impact scenarios to assess how much brain tissue stretches, and how quickly, upon collision. In its exploration of cellular injury levels, the team found that linear tests do not fully convey the tissue stresses and strains indicated in rotational tests.

The PANTHER program continues to investigate what brain cells can withstand and further refine testing models to improve protection standards. ONR has approved continued funding for PANTHER through 2024. Team Wendy will use data from the program and independent testing to better understand how cellular injury originates and, armed with this knowledge, ultimately hopes to develop new materials and helmet designs with unprecedented impact protection.

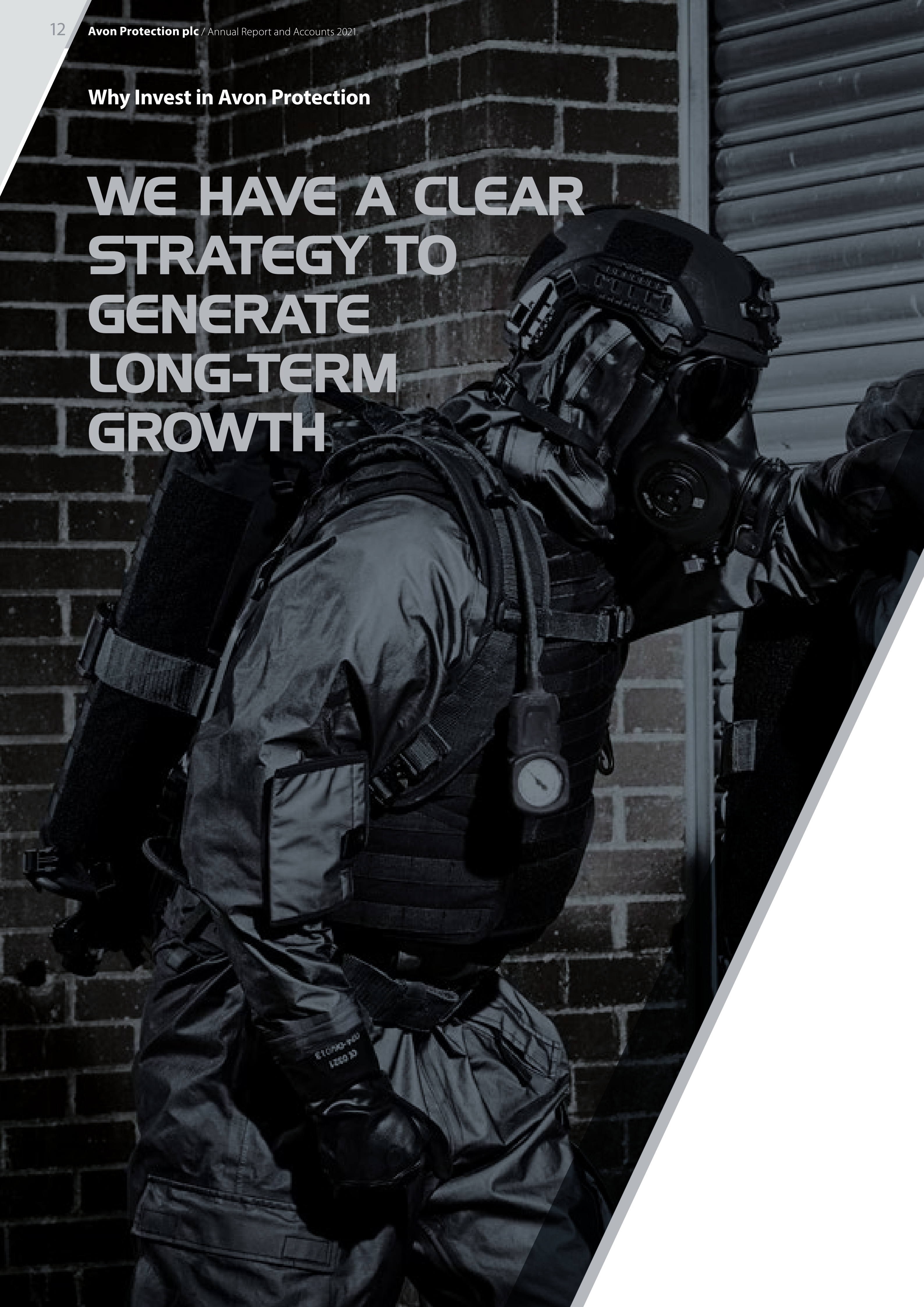
PANTHER PROGRAM

$7.9m

received by the program in new grants during 2021

Why Invest in Avon Protection

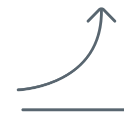
WE HAVE A CLEAR STRATEGY TO GENERATE LONG-TERM GROWTH



Organic sales growth

3%+

Through a focus on innovative products designed for global growth markets we target 3%+p.a. organic revenue growth



Attractive EBITDA margins

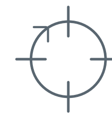
20%+

Using our proprietary product expertise to develop market leading products, we target sustainable adjusted EBITDA margins of greater than 20%

Strong cash generation

90%+

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



Value enhancing acquisitions

We are targeting carefully selected, value enhancing acquisitions to complement our organic growth

Dividend growth

Under our progressive dividend policy, we expect to continue to grow dividends whilst maintaining a cover of two times adjusted earnings per share

"There are significant opportunities for both military and first responder customers across both the respiratory and head product portfolios to drive sustainable growth over the medium-term."

Chair's Statement

"Significant progress has been made against our strategic objectives in strengthening and refocusing the business to secure medium and long-term growth."

I RECOGNISE THAT THIS HAS BEEN A CHALLENGING YEAR FOR ALL OF OUR STAKEHOLDERS AND ON BEHALF OF THE BOARD I WOULD LIKE ONCE AGAIN TO THANK OUR EMPLOYEES FOR THEIR DEDICATION, PROFESSIONALISM AND CONTINUED COMMITMENT TO THE BUSINESS.

Since taking on the role of Chair in December 2020, I have continued to spend time getting to know the business and its people. Due to the limitations on travel to the U.S. in 2021 I have been unable to physically visit any of our U.S. sites and this remains a top priority for me and the rest of the Board as restrictions ease going into 2022. Despite this, I have met face to face with our U.S.-based executives and as a Board we have been able to maintain close contact with the senior leadership teams.

Strategy and results

At Avon Protection, our purpose is clear – to protect people by relentlessly advancing the future of protection. We achieve this by focusing on the customers' needs and developing next-generation technologies and solutions that enhance their performance, efficiency and capability whilst providing ever increasing levels of protection.

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

2021 has been a challenging year and our financial results have not shown the progress that we had initially expected. While order growth has been very strong, this has not translated into revenue and profit growth, due principally to delays in product approvals in our body armor business (see below), but also delays in receipt of customer orders, supply chain disruption and a tight U.S. labour market.

However, significant progress has been made against our strategic objectives in strengthening the core respiratory and head protection business to secure medium and long-term growth. Record levels of investment have been made during the year in new product development, IT systems and senior management bench strength. We enter the new financial year with a fundamentally stronger and re-focused business, well positioned to maximise the significant opportunities.

Strategic review of armor

On 12 November 2021 we announced that our next-generation body armor product, known as VTP ESAPI, had failed first article testing. We also announced that, while we had successfully passed ballistic testing for the legacy body armor product, known as DLA ESAPI, we were experiencing further delays to achieving final approval for this product. This would push expected revenues into the third quarter rather than the previously anticipated second 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 as a whole, given the lack of certainty of obtaining product approval and a return on our investment. As such, the Board has concluded that we should undertake an orderly wind-down of the body and flat armor businesses over the next two years. In the short-term, we will continue to operate the business in order to fulfil our contractual obligations.

Dividend

The Board considers the dividend to be an important component of shareholder returns and as such has a policy to deliver a progressive dividend year-on-year, reducing dividend cover towards two times. Notwithstanding the headwinds the Group has faced this year and the effect this has had on the financial results, the Board is pleased to be recommending an increased final dividend of 30.6 U.S. cents per share, making a total dividend for the year of 44.9 U.S. cents per share, which is a 30% increase on the previous year. This is in line with our policy and reflects our confidence in the outlook for the Group.

Sustainability

As a Board we recognise the growing expectations of our stakeholders on sustainability and our ESG credentials and as such this is a key area of focus for the Board during 2022. This report contains a summary of some of the excellent work already being done in this area across the Group and an explanation of how we intend to create and deliver our net zero plan, which will be published in detail this time next year.

Health, safety and wellbeing of our people

Protecting the health, safety and wellbeing of our people remained a key priority in 2021. All of our sites maintained the stringent processes and guidelines that were first introduced in early 2020 to ensure our sites remained safe working environments, and I am pleased to say that all sites have remained open throughout the year. Positive COVID-19 cases have been dealt with effectively without putting the wider workforce at risk. At the time of writing, we are in the process of implementing a mandatory vaccination programme across our U.S. sites pursuant to the U.S. Government vaccine mandate for federal contractors.

During the year, the Board also established a Global Employee Advisory Forum as its employee engagement mechanism in preference to nominating a Non-Executive Director as the employee engagement director. This has generated a significant increase in dialogue between the Board and the Group's employees. We have received valuable feedback on the issues faced by employees on a day-to-day basis and their views on various topics, including the quality of management communication and the way we have dealt with the pandemic.

Governance and the Board

The Board remains committed to the highest standards of corporate governance and continues to actively monitor the effectiveness of our governance processes throughout the Group. In 2021 we continued to report against the 2018 U.K. Corporate Governance Code.

There have been various changes to the Board during the year. Victor Chavez CBE was appointed to the Board as Non-Executive Director on 1 December 2020 and has brought significant skills and experience of the defence sector. Pim Vervaat stepped down from the Board at the 2021 AGM and was succeeded as Audit Committee Chair by Bindi Foyle. Chloe Ponsonby was appointed Senior Independent Director. The Board therefore currently comprises two Executive Directors, three independent Non-Executive Directors and myself as Chair.

As announced to shareholders on 25 May 2021, after what will be approaching five years in the role, our CFO Nick Keveth will retire from the Board on or before the end of March 2022. The recruitment process to find Nick's replacement is described in the Nomination Committee report on page 69 and we expect to be in a position to update shareholders on Nick's replacement on or before the date of the AGM in January.

As a result of the COVID-19 pandemic, the Board held all meetings remotely until July 2021, when in-person Board meetings resumed. Despite this challenge, I believe the Board adapted well to meeting remotely and continued to perform effectively. We conducted an internal Board performance evaluation this year and remain confident that the Board continues to operate to high standards as a cohesive body with a good balance of support and challenge. Full details of this year's evaluation are contained in the Governance section of this Annual Report.

Looking ahead to 2022 with confidence

Despite the challenges of 2021, we are confident that we have taken decisive action to re-focus the Group and to protect our growth trajectory. The year ahead will be one of transition, but with a strong opening order book and a good pipeline of new opportunities, we expect our core respiratory and head protection business to deliver growth in FY22 and remain confident in the medium and long-term prospects for a re-focused Avon Protection.

Bruce Thompson
Chair

14 December 2021

> "Our leading technology and product offering, together with a strong pipeline of opportunities, underpin our confidence in our future growth prospects."

STRATEGIC REPORT

18 Military Market
20 First Responder Market
22 Product Portfolio
26 Delivering our Strategy
30 Sustainability
38 Chief Executive Officer's Review
44 Financial Review
50 How we Measure our Performance
52 Principal Risks and Risk Management
58 Section 172(1) Statement

Military Market

AS GLOBAL SECURITY THREATS CONTINUE TO EVOLVE, NEXT-GENERATION PROTECTIVE EQUIPMENT WILL NEED TO BE DEVELOPED, INCREASING DEFENCE AND SECURITY SPENDING.

Evolving CBRN threats

The continued rise of asymmetric conflicts and access to new technologies keep increasing the complexity in defending against Chemical, Biological, Radiological, Nuclear (CBRN) threats.

Democratisation of cyber tools, synthetic biology, unmanned aerial vehicles and 3D printing all render access and delivery of potentially lethal substances more accessible, which requires CBRN protection equipment to evolve at pace, and equipment rates to increase.

Increased integration

Various add-on equipment and soldier upgrades require modular compatibility to ensure multi-mission soldier readiness.

Modernisation is enabling an increase in system modularity and integration at the component level.

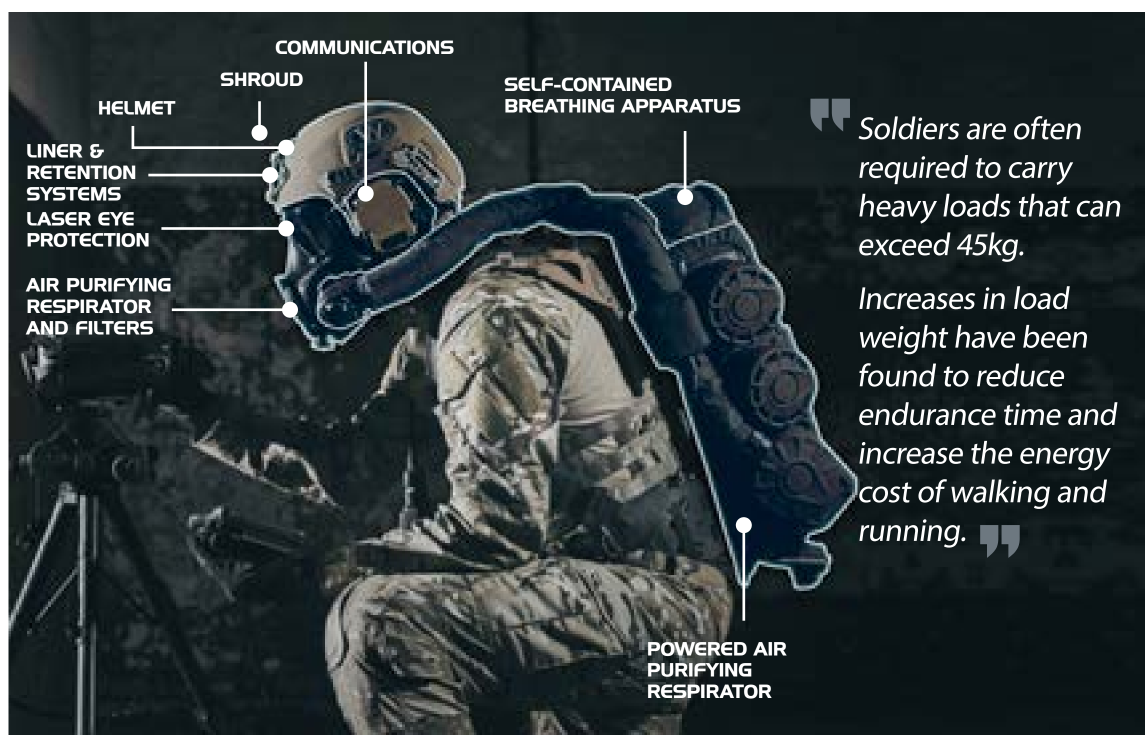
We are well placed to support the integration of personal CBRN, respiratory and head protection given our leading positions and strong portfolios in these fields.

Reducing equipment weight

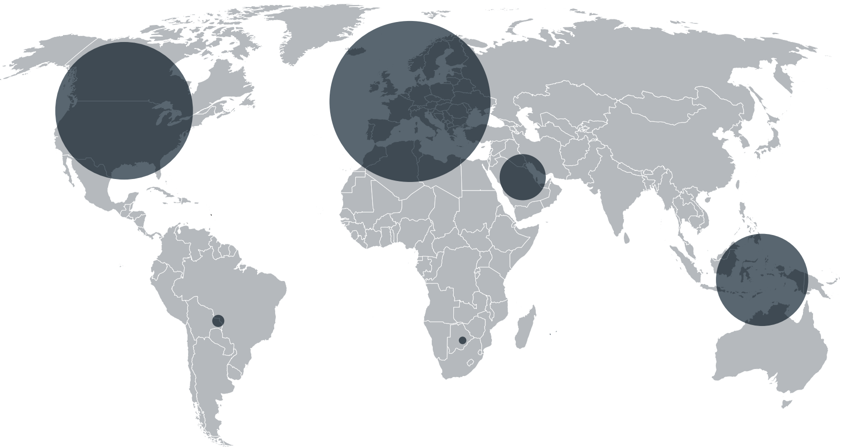
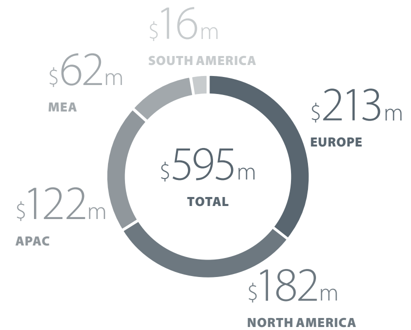
As part of modernisation programmes soldiers must load various helmet accessories such as headsets and night vision goggles. This adds weight to conventional soldier systems and has a direct impact on soldiers' mobility and effectiveness.

We work closely with militaries to address weight relief and distribution. By using lighter materials and suspension in our helmets to enhance weight distribution, we continue to reduce the weight burden.

Integrated systems typically worn by an end user



2021 Annual revenue opportunity for ballistic helmets and respiratory protection in Military markets*

Source: Company estimates.

Bubble size indicates revenue potential in 2021.

* Excluding non-addressable countries such as China, Russia and Iran. Also excludes non-ballistic helmets, helmet accessories, body worn armor, flat armor, filters, accessories, underwater diving equipment and escape hoods.

> *The 10-year NATO framework contract provides access to a significant portion of the current addressable respirator market.*

Link to our strategy

Growing the core

Technology platforms

The U.S. remains the world's largest and most sophisticated market, allowing us to retain our product market-leading positions. This technology is then used to expand our reach with rest of world customers.

Leveraging existing market positioning

This year we expanded our sales to six European countries through the NATO framework contract.

Respiratory contract wins often create an opportunity for sales of consumable products such as filters, spares and accessories.

Diversifying customer base

We continue to pursue large multi-year replacement and upgrade programmes with NATO and Five Eyes countries, such as Team Wendy's supply of ballistic helmets to the Australian Defence Force.

Selective product development

Demand driven innovation

We continue to engage with our customers to ensure our development pipeline meets their exacting performance requirements.

We have addressed customer needs with Team Wendy's EXFIL Maritime Liner, development of the FM61 filter, the CH15 Escape Hood, and numerous developments within the rest of our product range, such as the MCM100 and the next-generation IHPS. Team Wendy has also contributed to U.S. DOD funded research projects exploring innovative helmet liner solutions to reduce traumatic brain injury.

Value enhancing acquisitions

Increasing our reach

There are numerous technological and geographical adjacencies that Avon Protection considers as part of our longer-term strategy.

The collaboration between Avon Protection and Team Wendy on the IHPS shows the value of combining high-quality portfolios to deliver next-generation life critical personal protection equipment.

Ongoing customer relationships

During the year, Team Wendy received a two-year extension on its initial five-year contract with the Australian Defence Force (ADF) for the EXFIL Ballistic helmet. Team Wendy's partner in Australia, Aquaterro, also won a five-year contract to refurbish Team Wendy supplied helmets at their facility. ADF is among the government forces in more than 55 allied nations worldwide that wear Team Wendy helmet systems, including the U.S. Department of State, Brazilian Federal Police and the Canadian Department of National Defence.

First Responder Market

THE INCREASED THREAT POSED BY TERRORISTS AND CIVIL UNREST IS DRIVING DEMAND FOR MORE ADVANCED RESPIRATORY AND HEAD PROTECTION.

Integrated solutions

Similar to the trend in military, there is increasing demand for integrated and more modular body protective solutions to ensure equipment is multi-mission compatible.

Our recent launch of the Tactical Mask Communications system that interfaces between headset and mask demonstrates our commitment to modular and integrated solutions.

Modularity and integration with other personal protection products requires and drives an increased need to partner with or acquire other solution providers.

Multi-mission capability

Different missions require different levels of equipment and protection against the range of threats.

Terrorist attacks, civil unrest and organised crime are multiplying the risks of CBRN and ballistic threats.

First responder units increasingly need to consider ballistic and CBRN protection needs and the level to which they require protection.

Adaptable products like our powered and supplied air range allow users to tailor protection depending on the mission, which results in efficiencies and mission flexibility.

Evolving routes to market

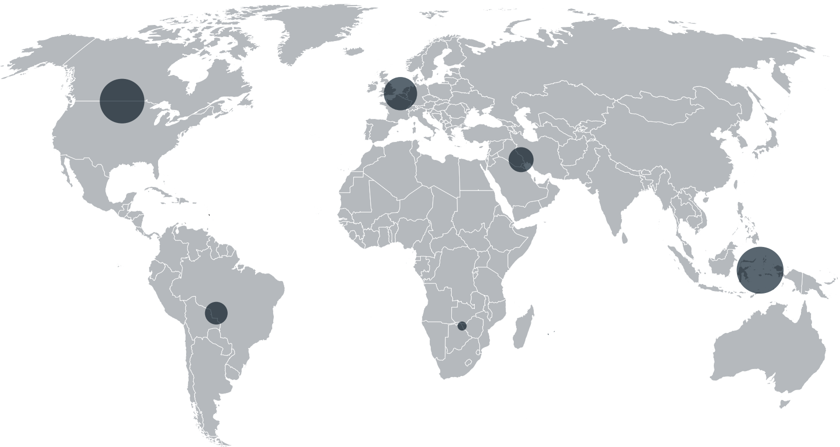
First responders are increasingly requiring levels of protection historically associated with military applications.

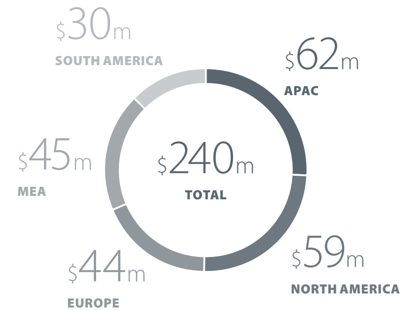
Such highly specialised equipment is increasingly being awarded in joint first responder and military umbrella contracts, providing procurement access for first responders.

An example of this joint working is the NATO framework, which provides first responders with access to our advanced respiratory portfolio.

Integrated systems typically worn by an end user

2021 Annual revenue opportunity for ballistic helmets and respiratory protection in First Responder markets*





Source: Company estimates.

Bubble size indicates revenue potential in 2021.

* Excluding non-addressable countries such as China, Russia and Iran. Also excludes non-ballistic helmets, helmet accessories, body worn armor, flat armor, filters, accessories, underwater diving equipment and escape hoods.

Link to our strategy

Growing the core

Increased geographic presence

Team Wendy has increased our geographic footprint from our leading U.S. market position via both its distributor and direct sales channels. For example, wins this year include the supply of ballistic helmets and covers to the Brazilian Federal Police Department.

Understanding sub-group requirements

Specialist federal and state crisis response teams for both ballistic and CBRN scenarios, SWAT, regular Police, Correctional Officers and Search and Rescue teams are among our increasing number of first responder customer groups.

Maintaining ongoing dialogue with each of these groups and key stakeholders allows us to focus on providing the best products via the best routes to market available.

Through-life support

Demand for filters and spares has remained high going into this year as we ensure first responders are equipped to safeguard themselves from ever-changing threats. We engage with our customers to deliver maintenance and training which will continue to provide sustainable revenues for the future.

Selective product development

Continued expansion and investment in our portfolio

Our broad respiratory and head protection product portfolios have been expanded further to meet the growing needs of first responders.

This year we launched the CFP100 particulate filter, the F90 ballistic helmet and the CH15 escape hood. We also enhanced the ST54 self-contained breathing apparatus and are developing a range of CBRN boots and gloves.

Value enhancing acquisitions

Strengthened brand recognition

For many years Team Wendy has been at the forefront of traumatic brain injury prevention, with liner and retention systems, bump helmets and ballistic helmets.

The Team Wendy and Avon Protection brands are historically known as being in different parts of the market, and therefore complement each other within the Group.

Agile product development

This year we launched the CFP100 particulate filter, in response to the changing global operational conditions and the increasing demand for particulate protection as a result of the COVID-19 pandemic.

The NIOSH approved CFP100 particulate filter adapts proven technology to create our lightest filter canister to date. With the lowest breathing resistance of any Avon Protection filter, user comfort is enhanced.

Product Portfolio

RESPIRATORY PROTECTION

OUR LEADING RANGE OF RESPIRATORY PROTECTION INCLUDES RESPIRATORS, POWERED AND SUPPLIED AIR SYSTEMS, FILTERS, SPARES AND ACCESSORIES.

SPARES & ACCESSORIES

POWERED & SUPPLIED AIR

RESPIRATORS

We are a global supplier of respirators specifically designed to meet the latest military user requirements. Leveraging this military pedigree, we have developed respirators for first responders that also require a range of CBRN and riot control protection.

C50

The C50 mask is based on the M50 and offers high protection, outstanding field of vision, and superior comfort. The C50 is the leading mask used by U.S. law enforcement agencies. The innovative design reduces burden and allows the user to stay focused on the mission.

M50 and FM50

The M50 and FM50 masks are the most advanced military general service respiratory protection masks to date, offering significant improvement in comfort, usability, operational effectiveness and protection.

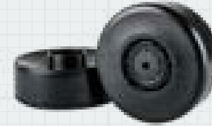
M53A1

The M53A1 is designed to meet the unique requirements of military and law enforcement Special Mission Units while providing the maximum operational flexibility, delivering positive pressure SCBA, PAPR and negative pressure capability. All of these capabilities are available from one mask platform without the need to change components.

POWERED AND SUPPLIED AIR

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

SPARES AND ACCESSORIES



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

UNDERWATER

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

ESCAPE HOODS

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

Product Portfolio continued

HEAD PROTECTION

OUR HEAD PROTECTION PORTFOLIO IS FOCUSED ON NEXT-GENERATION BALLISTIC HELMETS AND BUMP PROTECTION HELMETS, AS WELL AS HELMET LINER AND RETENTION SYSTEMS.

LINER & RETENTION SYSTEMS

HELMETS

Our helmets set industry standards in protection-to-weight ratios. They are modular, lightweight and customisable, which offers customers optimal flexibility in providing desired protection in a form appropriate for specific units and objectives. We are at the forefront of helmet technology and are currently delivering next-generation IHPS ballistic helmets to the U.S. DOD's Soldier Protection System. We also offer a full range of bump protection and ballistic helmets for military and first responder customers.

F90

Developed for the First Responder market, the F90 Ballistic Helmet features the perfect combination of performance and lightweight materials at an economical price point. Innovative 'No Thru-Hole' technology for mounting accessories increases the shell's effective protection area.

N49

The N49 Ultra Light Weight Ballistic Helmet is for operators who need to have the ability to move faster, wear for longer periods with comfort and have optimal ballistic protection.

IHPS

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

EXFIL Ballistic SL

The EXFIL Ballistic SL features a lightweight composite shell providing a 15% weight reduction over the original EXFIL Ballistic while offering the same unique EXFIL shell geometry for an optimal fit.

EXFIL LTP

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

SAR Backcountry

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

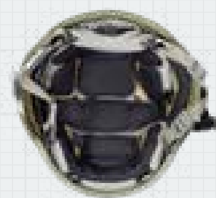
LINER AND RETENTION SYSTEMS

CAM FIT Retention System

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

Zorbium Action Pad (ZAP) 7-Pad NSN Liner System

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



EPIC Air Liner System

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

Delivering our Strategy

OUR STRATEGY IS TO GENERATE SHAREHOLDER VALUE THROUGH:

Growing the core

Selective product development

Value enhancing acquisitions

ORDERS RECEIVED UNDER THE 10-YEAR NATO FRAMEWORK CONTRACT

$48 million

Growing the core

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

How we achieve this

- **Leveraging the product and customer base.** There is considerable scope to cross-sell the wider product portfolio to our existing customers and further improve margins.
- **Responding to customers' growing needs.** Through our focus on innovation, we are constantly enhancing the functionality and capability of our product range. As the demands of our customers grow, we see a clear opportunity to migrate them to our premium product offerings as their requirements increase.
- **Expanding our reach through distribution.** We participate in growing global markets with a large and diverse base of potential customers. Expanding our distribution network of agents and dealers will allow us to access wider market opportunities more quickly, in both new and existing territories.
- **Continuing focus on operational excellence.** We have invested in a global manufacturing capability and supply chain to meet the high quality requirements of our products and customers. We pursue a continuous improvement culture to further reduce costs and enhance product margins and will benefit from improved operational gearing as we optimise the utilisation of our global operations.

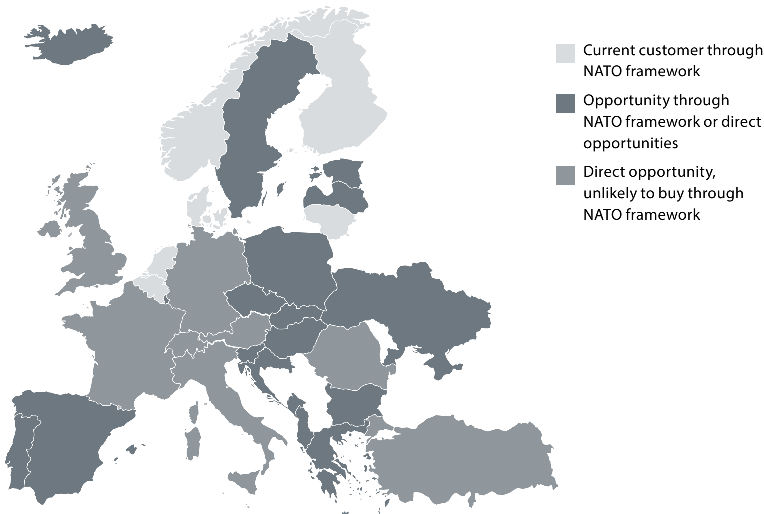
Strategy in action

Broadening our European market share

The 10-year framework contract with the NATO Support and Procurement Agency (NSPA) enables NATO and NATO affiliated countries to purchase from our market leading, broad respiratory protection portfolio based around the FM50 system, including full suite of filters, MP-PAPR, ST53 and accessories.

During FY21 Avon Protection received orders worth up to $48 million to supply FM50 mask systems to six NATO member countries and associates including Norway, Finland, Belgium, Lithuania, Denmark and the Netherlands. We are in active dialogue with three other NATO member countries with a view to them joining the programme.

European NATO framework contract opportunities



Delivering our Strategy continued

Selective product development

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

How we achieve this

- **Moving up the value chain in respiratory protection.** Whilst we will continue to expand the portfolio of mask platforms, variant systems and consumables to cater for the specific needs of particular customers or applications, we are actively developing more advanced systems targeted at specialist customer groups.
- **Enabling technologies and integrated systems.** The equipment of the military fighter of the future is expected to be increasingly sophisticated, with seamless integration of protection and technology systems. We are investing in our expertise in enabling technologies, to allow greater integration of respiratory and head protection systems data and communications technology.

Strategy in action

EXFIL Maritime Liner System

In 2021, Team Wendy launched the EXFIL Maritime Liner System, which provides water-resistant protection for coastal operators. Sealed pads made from Team Wendy's patented Zorbium foam are optimised to dry quickly after routine exposure to water. The liner's quick-drying capability helps reduce the added helmet system weight and discomfort that results from waterlogged helmet pads.

Designed specifically for Team Wendy's EXFIL shell geometry, the liner is available as an aftermarket retrofit system. Each system contains front, crown and rear impact pads, as well as a fit adjustment pack with four shim pads.

This is the first aftermarket liner option Team Wendy has made available for its own helmets, allowing customers even more flexibility and mission-oriented usage with their Team Wendy helmet.

Value enhancing acquisitions

Acquisitions have been part of our growth strategy for a number of years. In the short-term, we are focused on the integration of our current operations and building our respiratory and head protection business organically. In the medium to long-term, we will return to acquisitions as a driver for growth.

Strategy in action

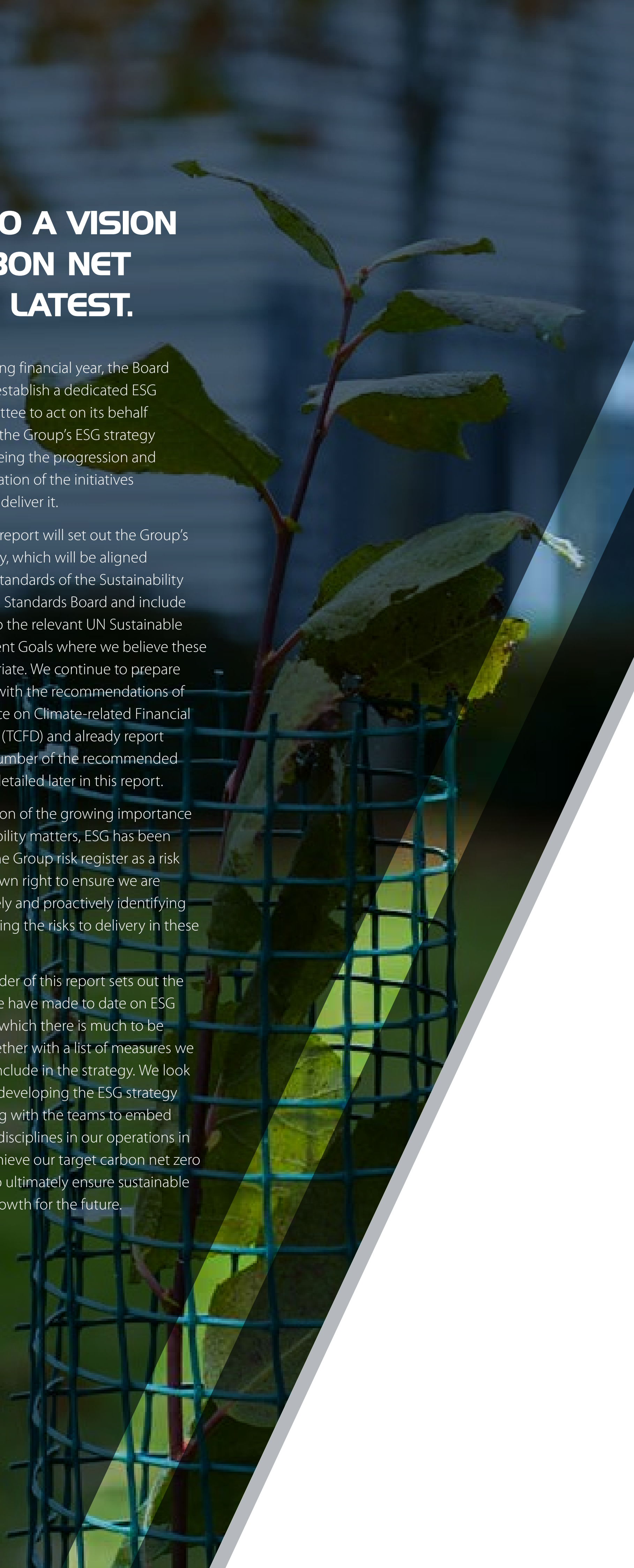
Integration of Team Wendy

Our priority over the past year has been the integration of the newly acquired Team Wendy business into Avon Protection. 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.

Sustainability



WE ARE COMMITTED TO A VISION WHICH DELIVERS CARBON NET ZERO BY 2045 AT THE LATEST.

As a Board we have monitored the increasing importance of sustainability and our environmental, social and governance priorities for each of our main stakeholder groups – our customers, shareholders, and our employees.

As practice and regulation in this area grows, we are taking our responsibility to deliver positive, measurable improvement in these areas seriously. We recognise that we are at the beginning of this journey. As a primarily U.S. based Group, we have recognised that our U.S. sites are behind our European site in terms of environmental focus and green initiatives. As such, we need to align our environmental sustainability strategy across all sites to bring the U.S. sites up to the same standard as the U.K.

Against that backdrop our vision as a Group is to achieve carbon net zero by 2045 at the latest, earlier than the U.K. Government commitment of 2050. The Board is confident in making this commitment given the nature of our primarily light industrial manufacturing processes, the nature of our supply chain and our willingness to invest to deliver this outcome, even though the detailed plan to implement this vision has not yet been completed.

We have many sustainability initiatives already in place throughout our sites, across all three aspects of ESG, and over the coming year we intend to align these within a clear strategy and framework for delivery of the Group's ESG agenda. This will include specific targets, initiatives, and commitments to ensure we achieve our carbon net zero goal. One of these targets is to certify all our U.S. operations to ISO14001 which will provide a formal framework to improve our environmental efficiency.

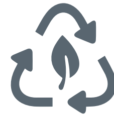
We have recognised the need for a high-level sustainability vision, which links to the Group's purpose, as a backdrop to our strategy. The Group's purpose has been reviewed and redefined this year and is set out on page 2.

In the coming financial year, the Board intends to establish a dedicated ESG sub-committee to act on its behalf in defining the Group's ESG strategy and overseeing the progression and implementation of the initiatives required to deliver it.

Next year's report will set out the Group's ESG strategy, which will be aligned under the standards of the Sustainability Accounting Standards Board and include reference to the relevant UN Sustainable Development Goals where we believe these are appropriate. We continue to prepare to comply with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) and already report against a number of the recommended criteria, as detailed later in this report.

In recognition of the growing importance of sustainability matters, ESG has been added to the Group risk register as a risk area in its own right to ensure we are appropriately and proactively identifying and managing the risks to delivery in these three areas.

The remainder of this report sets out the progress we have made to date on ESG matters, of which there is much to be proud, together with a list of measures we expect to include in the strategy. We look forward to developing the ESG strategy and working with the teams to embed these new disciplines in our operations in order to achieve our target carbon net zero goal, and to ultimately ensure sustainable business growth for the future.



ENVIRONMENTAL SUSTAINABILITY

As part of our commitment to being a responsible and sustainable business, we are focused on the continuous development and improvement of our products and solutions using innovative technologies. We believe that we can align this activity over time to minimise the impact of our operations and our products on the environment.

As a manufacturer of high-tech respiratory and head protection equipment, it is our vision to be carbon net zero by 2045, and to leverage our research and development activity and technology solutions, customer relationships, operational footprint and our position in our communities to deliver this. We are working on a roadmap, which we expect to be able to publish in the coming 12 months.

We are also dedicated to enhancing our tracking and monitoring of key sustainability priorities. As environmental legislations are evolving globally, we ensure compliance through regular updates to our processes demonstrated by our continued membership of the Institute of Environmental Management and Assessment. Our U.K. operations are also certified to conform to ISO 14001:2015, which reinforces how we manage our environmental responsibilities. Three of our U.S. operations are due to be certified next year, two of which are scheduled for April 2022.

Emissions (carbon, GHG)

We collect, monitor and act on data gathered from each of our sites regarding our greenhouse gas (GHG) emissions. The collected data allows us to monitor and examine carbon emission trends and track progress against our internal sustainability goals.

We have disclosed the details of our Scope 1 and 2 greenhouse gas emissions, following the U.K. Government's Environmental Reporting Guidelines (2019) in our methodology.

Several factors have contributed to the Group's energy performance this year. With last year's acquisition of Team Wendy, our revenue for the year lies at $248.3 million.

The total emissions of carbon dioxide equivalent come to 11,448 tonnes, this gives an intensity ratio of 46 tonnes CO_2e per $million revenue.

This is an improvement from 2020, with a revenue of $213.6 million (Team Wendy had not yet been acquired), we recorded the total emissions of carbon dioxide equivalent to 12,118 tonnes, giving an intensity ratio of 57 tonnes CO_2e per $million revenue.

GHG emissions

		2021	2020
Direct GHG Emissions (Scope 1)	tCO_2e	3,036	2,285
Indirect GHG Emissions (Scope 2)	tCO_2e	8,412	9,833
Total GHG emissions (Scopes 1 & 2)	tCO_2e	11,448	12,118
Intensity ratio U.K. and Global: Tonnes of GHG per $m revenue		46	57
Proportion of emissions arising from U.K. operations		23%	22%
Energy consumption resulting in the above emissions	MWh	33,911	30,358
Proportion of energy consumption arising from U.K. operations (%)		38%	40%

Note:
We have sourced from all our manufacturing sites the energy data available from invoices and where applicable, regional and national carbon conversion factors have been applied. Please note that the data stated above are not directly comparable on a year-on-year basis. Due to the mid-year integration of our two helmets and armor businesses, the 2020 data does not include a full year of the Ceradyne ballistic business nor Team Wendy, whereas the 2021 data includes both businesses at full integration.

Sustainability continued

Energy efficiency

At our U.K. facility, we have recently installed an adiabatic cooler to regulate water temperature in our presses to reduce our kwh usage. On a 24/7 basis (8,760 operating hours), the new adiabatic cooler is estimated to consume 26 MWh of power, whereas with our previous cooling tower, the power consumed on a 24/7 basis came to 1,140 MWh. The new cooler shows how we can be more energy efficient at our U.K. facility and, in the coming months, we intend to continue making steps towards using less energy across all sites.

Water usage

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

Waste (hazardous, general, recycling)

Our U.K. site have partnered with one of our suppliers, AK Industries Limited, to reuse packaging for all products delivered. All packaging the site receives from AK Industries is sent back to the supplier in Correx packaging for them to reuse.

This initiative was signed off in 2021 and we aim to start our first returnable packaging tender at the start of FY22 with a total of 5000 boxes being returned to AK Industries. We are looking into expanding this initiative across all suppliers.

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

Environmental incidents

There have been no environmental incidents, as defined by the U.K. Environmental Agency or the U.S. EPA, at any of our sites or in relation to our supply chain throughout the 2021 financial year.

Looking forward

We will continue to enhance our tracking and monitoring of CO_2e and GHG emissions across all sites and aim to implement a strategy to set intermediate targets and report on some Scope 3 GHG emissions to help achieve our net zero target.

Environmental issues are considered throughout a product’s lifecycle, from concept to disposal, and we will continuously work to reduce the impact our products and consumables have on the environment.

We are also working to adopt and implement TCFD recommendations and UN Sustainability Development Goals (SDGs) into our ESG strategy. The TCFD recommendations aim to standardise businesses reporting of climate-related risks and improve business and financial sector transparency on the financial risks and opportunities of climate change in line with four areas: governance, strategy, risk management, and metrics and targets. The SDGs chosen will be in line with our strategy direction, improve our supply chain processes and ensure ethical practices throughout.

SOCIAL SUSTAINABILITY

Our people drive our culture. Motivated and empowered employees representing our values ensure we deliver market leading customer service and products. We have wellbeing, recognition and training and development initiatives in place and look to motivate our employees through appropriate recognition and reward programmes. Our wellbeing initiatives raise awareness of the benefits of physical and mental health in the workplace and we provide an environment that offers the right training and development with a combination of formal training opportunities and on the job experiences.

Impact of COVID-19 on wellbeing

We have heightened our focus on the wellbeing and safety of all our employees throughout the past two years in relation to the COVID-19 pandemic. Taking action to ensure safe working environments is our utmost priority. Whilst we have not closed any of our production sites during the pandemic, we have increased employee engagement and are continually holding wellbeing webinars and challenges each month to improve employee mental and physical health.

Our webinars have been facilitated by an external expert and have focused on topics including heart health and mental health. Working from home can be isolating for many, so we have focused on supporting team morale and helping our employees in any way we can. These webinars allow employees to switch off from work for an hour and ask our expert presenters questions, increasing our employee engagement and involvement.

Employee health & safety

Our goal is zero harm and we continue to actively promote a strong safety culture. We have mandatory training and policies in place for all shop floor employees on workplace safety and practices.

This year, across five of our operations sites, we recorded, in total, 19 workplace incidents delivering a Total Case Incident Rate (TCIR) of 2.9, calculated in line with the Occupational Health and Safety Administration (OSHA) guidelines. We track incidents on a monthly basis and have a global target to reduce our incident rate to zero against which we are making progress.

We are in the process of developing an online hub where U.K. employees can access equipment specific safety training courses to complete in their own time and become certified by the business upon course completion. The online hub, once implemented across all sites, will play an integral part in reducing our TCIR and achieving our zero incident target. In FY22, we will also align globally the way in which we collect TCIR and Lost Time Accidents data across all seven sites.

Diversity and inclusion

We are committed to equality and equal treatment for all employees and strive to provide an environment where all employees can fulfil their full potential.

We have achieved the target set by the Hampton-Alexander Review of 33% female representation including our Senior Independent Director (two of six) on the Board and we have a Board Diversity Policy in place, which can be found in the Governance section of our website.

Female representation across our senior management (in line with the Hampton-Alexander Review definition) lies at 29% (14 out of 49) and we are committed to improving this in the future.

Sustainability continued

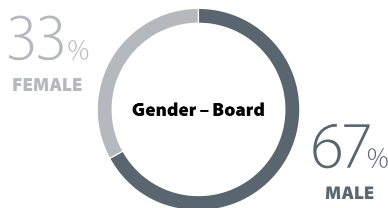
Diversity and inclusion continued

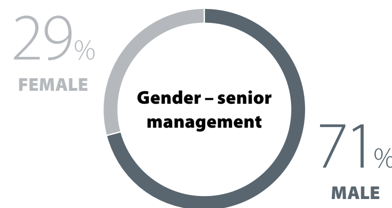
Across our all-employee level, we have achieved a ratio of 41% (460 out of 1126) female and 59% (666 out of 1126) male. We are committed to continuously improving the balance of female to male employees across all of our sites.

To reinforce our focus on diversity and inclusion, and from the feedback received last year from our research in partnership with the University of the West of England, we launched a women's mentoring programme as part of our Balance@Avon initiative. The initiative aims to motivate, empower and support female employees to understand themselves and their aims and how they might work towards achieving them. The programme is currently running with 18 employees having been allocated a female mentor and feedback from the programme has been positive.

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

Our average U.K. gender pay gap for FY20 (reported in October 2021) is 24.9%. The pay gap is due to the Company having more women in operations and assembly roles in the lowest quartile (54%) compared to more men in the top quartile (87%) and does not stem from paying men and women differently for the same or equivalent work. This supports our existing focus to address the gender balance at our Company leadership team levels, through initiatives like Balance@Avon, which will help to close the overall pay gap with more female representation at this level. Our gender pay gap data can be found in the Governance section of our website.





Personal development

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

We believe our employees thrive the most when they can improve and enhance their skill sets and work on their personal development. We have given our employees access to tools, such as LinkedIn Learning, to help with their career progression and personal development. LinkedIn Learning has proven to be an invaluable tool where our employees can complete online courses on any areas of interest to progress their career paths and expand their knowledge.

Employee engagement

We are committed to maintaining a high level of employee engagement across all sites and providing an environment where all employees are able to fulfill their potential. We hold wellbeing and training and development challenges frequently which enable employees to work on their personal development. We also hold an annual CEO roadshow where employees receive an update on the Company's performance and strategy and can directly ask our CEO questions in a live event.

Maintaining high levels of communication with all employees is a focus across the Group and so we host monthly leadership events in which members of the Group Executive team and the Board provide an update on the business, their vision for the future and what requires further focus. These events also give employees the opportunity to ask questions directly.

We greatly value employee feedback and have launched a new initiative to celebrate and enhance the culture at Avon Protection. Culture Champions were selected from every level of the organisation and sites and they play a crucial role in maintaining an open communication culture within the Group. Their role includes speaking to our employees on matters such as leadership, learning and development, and social connection.

We also hold employee surveys every year to provide employees with the opportunity to provide feedback and suggest improvements on aspects such

as leadership communication, employee engagement, team culture and work environment. The results are then presented to the Board and the wider leadership team and areas for improvement at both site and Group level are discussed. Our Culture Champions then support in the implementation of the changes and give feedback to our employees.

Pay and benefits

During 2021 we have been working to review our pay and benefits. Our aim has been to align and simplify our approach, so we are fair and consistent in the way we treat our employees, regardless of location.

This has resulted in changes to our hourly pay rates and bonus arrangements for factory floor employees in all of our manufacturing locations and alignment of our U.S. 401(k) pension plans into a single scheme with consistent contribution rates for all of our U.S. employees. These changes are designed to ensure we are competitive in local labour markets and that we are paying fairly and consistently across our locations.

Community engagement

We continually work with and for the communities in which we operate, recognising our role as a major local employer. We have recently expanded our partnership with Bath Rugby, to support their Primary Education programme centred around developing numeracy skills and promoting health and wellbeing.

We also sponsor Bath Rugby's Girls Participation Hubs, a new initiative that aims to increase female participation in the sport.

Across all our sites, employees engage and volunteer with their local communities, and are encouraged to use the Company's charitable giving programme. Our Cadillac employees started fundraising to improve a local community landmark. They far exceeded their goal, and work has started to transform the landmark.

Looking forward

Our aim is to grow a diverse culture and support all employees to give their best. In 2022, we will continue with both our Professional Development Programme and, from the feedback we gain from the women's mentoring scheme, we will make necessary improvements and look to roll it forward for another year.

We will continue to work with our local communities and do our part as a major local employer and ensure that we are fair and consistent across all our sites when reviewing and improving policies and initiatives.

Sustainability continued

GOVERNANCE

We remain committed to the highest standards of governance and ethics, promoting a culture of zero tolerance towards bribery and corruption. Employees can give honest feedback, express concerns if there are any practices that they feel uncomfortable with, allowing us to take corrective actions when mistakes happen. Our ethics and business conduct programme commits us to conducting business fairly, impartially and in compliance with local laws and regulations and to act with integrity and honesty in our business relationships.

For more information on governance, please refer to the Governance section on page 61.

Ethics

Code of Conduct

Our Code of Conduct ('the Code') sets out the values and standards of behaviour expected from all those working for or on behalf of Avon Protection; the current version is available in the Governance section of our website. The Code requires all our representatives to comply with the laws and regulations in the countries in which we operate. We understand that implementing the Code across all the markets we do business in can be challenging given the potentially complex differences. We therefore assess and manage any risks and the processes behind these to ensure we maintain the highest ethical standards. We encourage everyone to report any behaviour, which may be a breach of the Code, or is unethical or illegal, through our confidential 'Speak Up' system. Every report is then investigated, and necessary actions are taken to ensure such breaches do not reoccur.

Bribery and corruption

We have implemented effective systems to advocate our zero-tolerance approach to bribery and corruption. To ensure we only work with third parties whose standards are consistent with our own, all agents and distributors are obliged by written agreement to comply with the standards set out in the Code. Last year we created a new Supplier Code of Conduct which we continue to roll out across our suppliers. In addition, a programme of supplier audits exists to ensure suppliers adhere to our standards.

Modern slavery

We are fully committed to respecting the human rights of all those working with or for us. We do not accept any form of child or forced labour and we will not do business with any party who fails to uphold these standards. We have a zero-tolerance approach to modern slavery and are committed to acting with integrity in all business dealings and relationships and to implementing and enforcing effective measures to ensure modern slavery is not taking place in the business or its supply chains. Our Modern Slavery Act Statement is available in the Governance section of our website for further details.

Supply chain

We have many forms of training materials and policies in place, both in person and online, to embed the ethics and integrity requirement across the Company. We always investigate alleged violations and take the necessary action.

We do not use conflict minerals, such as tin, tungsten or gold, that originate from countries whose natural resources include minerals that are high in demand and are either suffering from armed conflict or witnessing weak or non-existent governance and systematic violations of international law, including human rights abuses.

Data and cyber security

Like all businesses, there is a risk that we may be subjected to external threats potentially causing sensitive data to be lost, corrupted, or accessed by unauthorised users, leading to financial or reputational loss. We have policies and mandatory online training in place for all employees to avoid all forms of data breaches of confidential information. Mandatory information security training is also delivered throughout the year to all employees. This includes completing online courses on protecting personal and sensitive data and how to recognise social engineering attacks.

A significant number of employees continued to work from home this year and many continue to do so. Therefore, we have continued to maintain the enhanced monitoring of phishing attempts and other security threats and continue to raise awareness of these risks with our employees.

Product safety governance

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

Board and internal governance

We seek to ensure diversity in the composition of our Board; gender diversity, ethnic and social backgrounds, and personal skills.

For more information on how our Board is composed, please view the Governance section of this report on page 61.

SPEAK UP!

Our employees are at the heart of our Company and are the key to our collective success. We are committed to ensuring that we have a supportive work environment, where everyone has the opportunity to reach their full potential. We are committed to providing a workplace culture that is free of harassment, intimidation, bias and discrimination and a working environment where every employee is treated with dignity and respect. We have continued to make significant progress in building towards a diverse and inclusive culture throughout the year. The 'Speak Up' platform is designed for all employees to anonymously report any behaviour which may be a breach of our Code of Conduct, Respectful Workplace Policy, or is unethical or illegal. The Board retains oversight of all matters raised through Speak Up, with regular reports submitted to the Audit Committee.

Chief Executive Officer's Review

"We have made significant further progress against our strategic objectives to deliver medium-term, sustainable growth, despite the challenging operating environment."

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.

Chief Executive Officer's Review continued

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 to 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.

Chief Executive Officer's Review continued

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 and Business Development Director, in addition to a dedicated Sales and 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 and 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.

Paul McDonald
Chief Executive Officer

14 December 2021

Financial Review

"Avon Protection has continued to see good commercial momentum in 2021. 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, and, subsequent to year-end, 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 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 on page 101.

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.

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.

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 $36.6 million 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 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	2020 $m restated 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).

Financial Review continued

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 helmet 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 $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 % 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 $m restated
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 flows 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 $1.1 million (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 $1.7 million armor inventory impairment and $2.4 million inventory acquisition accounting adjustments (2020: $7.7 million inventory acquisition accounting adjustments). These are included within changes in inventory in note 4.3.

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 normal 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 armor review

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.

Financial Review continued

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 $14.0 million comprise a gain of $15.7 million to reduce the provision for contingent consideration payable to 3M, less $1.7 million armor inventory impairments.

2 Armor operating profit adjustments totalling a charge of $38.4 million 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 $7.3 million.

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	11s.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 to 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

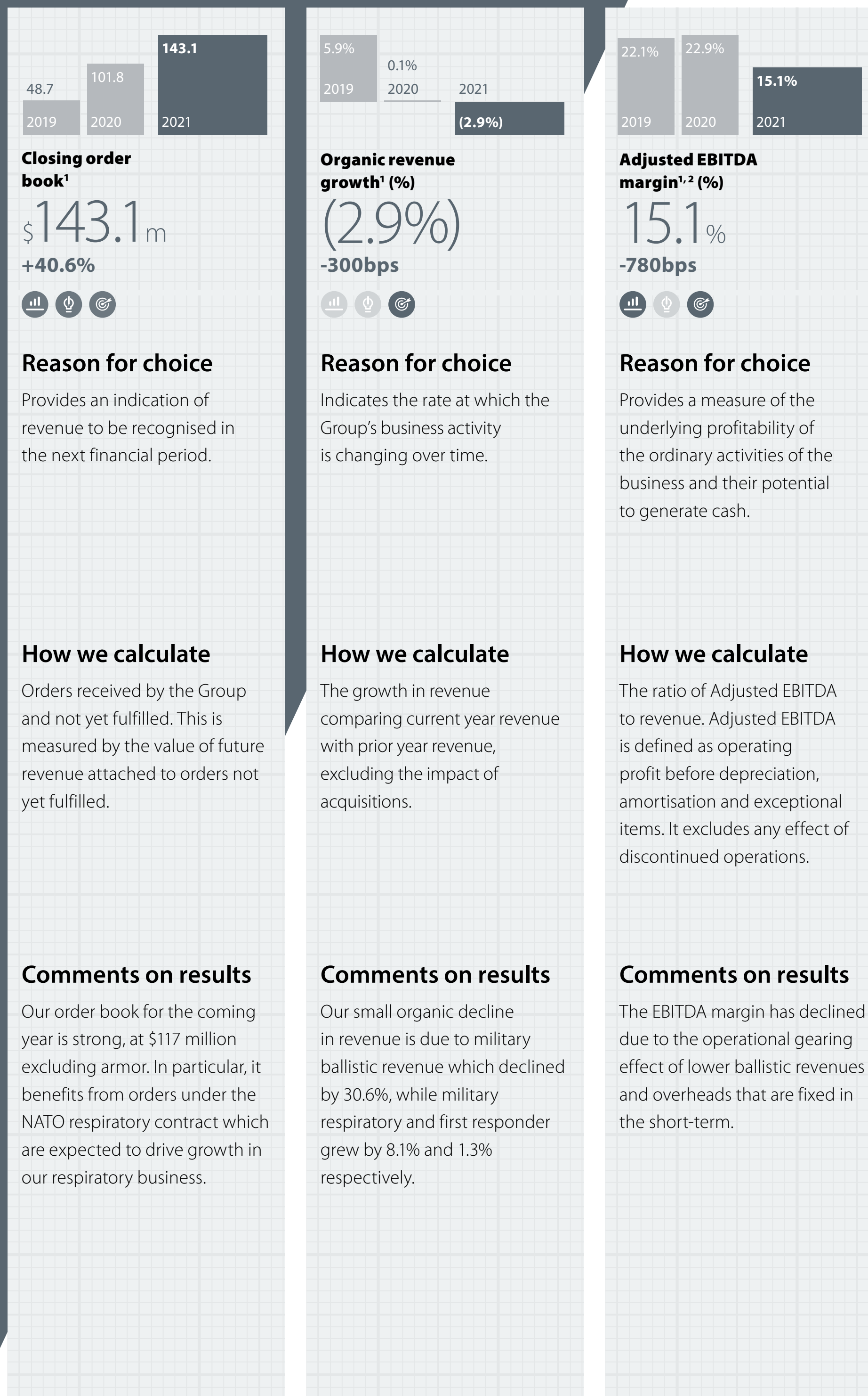
Given the strong financial position, expected cash generation in our 2022 financial year and the Board's intention not to initiate any further major merger and acquisition activity until after our 2022 financial year the Board is undertaking a review of the Group's capital allocation policy. As part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

Nick Keveth
Chief Financial Officer

14 December 2021

How we Measure our Performance

THE GROUP USES A VARIETY OF KEY PERFORMANCE INDICATORS WHICH ARE IN LINE WITH OUR STRATEGY AND INVESTOR PROPOSITION.



Closing order book[1]

$143.1m

+40.6%

Reason for choice

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

How we calculate

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

Comments on results

Our order book for the coming year is strong, at $117 million excluding armor. In particular, it benefits from orders under the NATO respiratory contract which are expected to drive growth in our respiratory business.

Organic revenue growth[1] (%)

(2.9%)

-300bps

Reason for choice

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

How we calculate

The growth in revenue comparing current year revenue with prior year revenue, excluding the impact of acquisitions.

Comments on results

Our small organic decline in revenue is due to military ballistic revenue which declined by 30.6%, while military respiratory and first responder grew by 8.1% and 1.3% respectively.

Adjusted EBITDA margin[1,2] (%)

15.1%

-780bps

Reason for choice

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

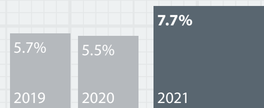
How we calculate

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

Comments on results

The EBITDA margin has declined due to the operational gearing effect of lower ballistic revenues and overheads that are fixed in the short-term.

1 The Directors believe that adjusted measures provide a useful comparison of business trends and performance. The metrics are also used internally to measure and manage the business.



Product development % of revenue[1]

7.7%

+220bps

Reason for choice

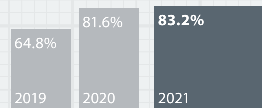
Provides a measure of the Group's investment in new products and processes. Investment provides a foundation for the Group's future growth.

How we calculate

Total expenditure on research and development including amounts funded by customers, development expenditure capitalised and amounts expensed directly to the Income Statement expressed as a percentage of revenue.

Comments on results

We have continued to invest in selective product development. We continue to focus on maintaining our reputation for technological excellence and innovation.



Cash conversion[1] (%)

83.2%

+1.6%

Reason for choice

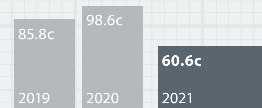
Provides a measure of the management of working capital and the ability of the Group to convert profits to cash.

How we calculate

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

Comments on results

Cash conversion was impacted by inventory build-up to manage supply chain challenges, partially offset by tight control of receivables in our last quarter.



Adjusted earnings per share[1, 2] (%)

60.6c

(38.5%)

Reason for choice

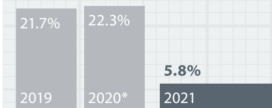
Measures the ability to generate a return to shareholders. It takes into account our success in growing our business organically and by acquisition coupled with management of the Group's financing and tax.

How we calculate

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

Comments on results

Adjusted earnings per share declined due to the impact on profit from the decline in military ballistic revenue and the operational gearing impact on profit.



Return on capital employed[1,2] (%) (ROCE)

5.8%

(16.5%)

Reason for choice

Measures profitability and the efficiency with which capital is employed.

How we calculate

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

Comments on results

The capital base of the Group has increased in the last two years from the recognition of the gain on divestment of milkrite | InterPuls and the reinvestment in the Ceradyne and Team Wendy acquisitions which combined with the profit out turn this year, this has resulted in a fall in ROCE.

2 A reconciliation of adjusted performance measures are available on page 101. A full glossary of terms is available on page 175.
* Restated.

Principal Risks and Risk Management

WE HAVE AN ESTABLISHED PROCESS FOR THE IDENTIFICATION AND MANAGEMENT OF RISK.

During the year we have enhanced the process for the identification and management of risk, working with the business teams to embed risk management disciplines across the Group.

The Board is responsible for the Group's risk framework and ensuring the risk management process is robust and continuously monitored. The Board's role includes promoting a culture that emphasises integrity at all levels of business operations and setting the overall policies for risk management and control. The Board has delegated responsibility for the monitoring and review of the effectiveness of the Group's risk framework to the Audit Committee, which reviews risk on a quarterly basis.

Having spent much of 2020 focusing on growth objectives, strategic acquisitions and the sale of the dairy business, it was important in 2021 to ensure that the risk management process continued to evolve to meet the new risk profile of the business. Deloitte were retained earlier in the year to carry out an assurance mapping review, reviewing the current approach and highlighting areas for improvement. The Audit Committee concluded that, whilst the strategic risk areas were well defined, understood and monitored by the Board and Group Executive management team, these processes should be embedded further within the business units to enable a more independent approach by the Risk Committee to assessing Group level risk impacts, setting policy standards and overarching risk methodology in line with the 'three lines of defence' model. Deloitte recommended improvements to the current manual process for measuring risk, in order to reduce the reliance on the quality and reliability of management information within the business.

The following enhancements to the risk management process were implemented during the year:

- Each business unit now has its own risk register and, on a six month basis, evaluates gross risks to the achievement of business priorities, the level to which these risks are mitigated by existing controls and the net residual risk. We currently maintain risk registers for the Military (including Respiratory and Ballistics), First Responder and Team Wendy business units, plus registers for operations and central services (Finance, HR, Legal and Compliance). An additional risk register for IT matters owned by the IT executive team has also been introduced.

- The method of measuring gross and net risk by the business units has been improved to incorporate a traditional likelihood and impact assessment, with a set of bespoke impact assessment measures tailored to each business unit.
- The Risk Committee conducts a second line assurance assessment of those net risks which are considered by the business units to be higher than the Group's tolerance level for that risk, with additional mitigating actions identified where possible. This is the three lines of defence risk assurance model under which the first line represents operational management who own and manage risk on a day-to-day basis, utilising effective internal controls. The Risk Committee, alongside the Group Executive management team monitor and oversee these activities, representing governance and compliance at the second line of defence. Deloitte currently provide the third line, which is the independent assurance over these activities provided by internal and other external assurance.
- The most significant risks are regularly reviewed and the Risk Committee assesses whether key controls are effective and risks mitigated to an acceptable level. As well as reviewing the risk registers prepared by the business units, an annual risk assessment has been introduced with the Strategy and M&A Director to ensure that strategic risks are understood and the strategy includes risk mitigation where appropriate. The output from these reviews is reported to the Audit Committee.

Further enhancements to the risk management process have been identified but not yet implemented. These include aligning the process with the detailed financial modelling of risk within the annual budgeting and forecasting process run by the finance team. The Audit Committee has also recognised that recruiting a dedicated risk and assurance lead role would further support a clear, independent second line to drive the risk management and internal audit agenda alongside maturing and embedding the reporting and monitoring approach outlined above. This recruitment is a medium-term objective.

Alongside the above changes the Risk Committee has continued with the process of annually reviewing and categorising the principal risks affecting the Group to ensure they remain current.

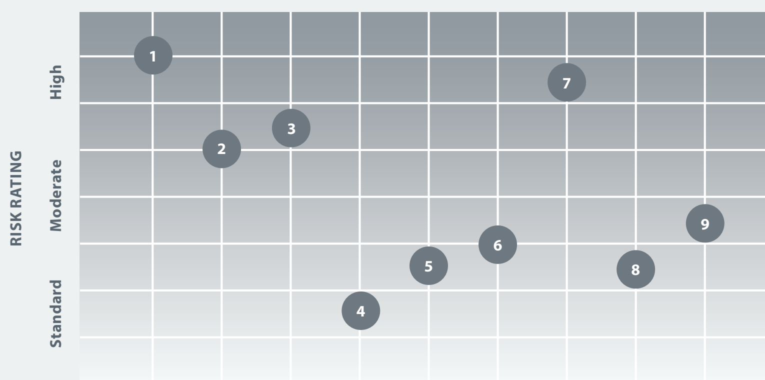
The principal risks are listed on the following pages. The categorised risk themes within the principal risk areas are shown alongside. Available mitigations in the form of control structures are shown next to each identified risk area. The order of significance and potential financial impact of the principal risks on the Group as we enter the 2022 financial year is set out in the table below, which has been populated by reference to the net risk assessment described above carried out during the year.

As we enter 2022, sustainability risk has been identified as a new risk area to be added to the register. The Board's position and strategy on sustainability is set out on page 30 of this report and the creation and delivery of that strategy will be monitored by the Risk Committee in 2022.

The Risk Committee views this as drawing together various sustainability risks under a single, new risk area:

- Environmental: the impact of climate events and supply chain sustainability issues, which are currently covered under Manufacturing risk (7)
- Social: responsible corporate citizenship, culture and employee engagement risks, which are currently covered under Talent management (3)
- Corporate reputation: governance and control risks, which are currently covered under Compliance and legal matters (8)

Current risk rating



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

Principal Risks and Risk Management continued

1. Project delivery and new product introduction risk →

Business risk	What happened in 2021	Mitigation	Focus for 2022
• Failure to identify correct strategic projects or to deliver them • Failure to identify and implement new products • Failure to identify, complete and integrate acquisitions **Impact on** • Strategy delivery • Sales, costs and profitability • Employee morale	• Continued new product programmes and bids to meet customer requirements • Delays in obtaining final product approvals for the DLA ESAPI body armor plate • Following the year end, first article test failure on the VTP ESAPI body armor plate • Continued transition of Team Wendy to a functioning business unit following completion on 2 November 2020 • milkrite | InterPuls transitional services completed • Continued progress on stabilisation of new IT system in the ballistic business • M&A and Strategy Director recruited and increased focus on strategy process and strategic alignment across the organisation	• Board oversight of clear strategy definition and communication combined with effective management • Product development linked to Group strategy and customer requirements • Intellectual property protection considered and implemented • Well resourced product development and programme management teams • Clear acquisition strategy and alignment with divisional structures • Well-resourced acquisition team with appropriate external advisors retained	• IHPS first article testing and product approval • Continue delivering new product programmes to meet customer requirements within capex budget • Quarterly strategy review process to embed and align strategy across the organisation • Consideration of technology insertion strategies for DOD respirator products • Wider integration of Team Wendy and approval of Team Wendy liners with next-generation IHPS helmet • Establish formal programme management office to oversee programme delivery • Define ESG strategy, in particular the environmental initiatives that will result in delivery of our carbon neutral target

2. Market threat to core business ↓

Business risk	What happened in 2021	Mitigation	Focus for 2022
• Lack of sales growth/ threat to current sales • Loss of major bids/tenders • Threat from competitors **Impact on** • Sales and profitability • Strategy delivery	• Continued order book growth • Commenced process of integrating the Ceradyne ballistic helmet lines with the helmets, helmet liners and retention systems from Team Wendy • Focus on continuing to grow our market share with our Rest of World and First Responder customers • Bid and won NATO framework contract	• Customer relationships prioritised and managed through dedicated leadership channels • Product differentiation/ innovation/diversification and protection of intellectual property • Diversified sales channels with comprehensive distribution/ intermediary network • Effective and up-to-date competitor monitoring and analysis to maintain competitive advantage	• Maximise NATO framework contract opportunities and consider technology transfer strategy for customers who require indigenous production • Bid major military opportunities e.g. NATO helmet, U.S. Navy Multi-Mission Underwater Breathing Apparatus, further DOD helmet opportunities • Align helmet portfolio for EMEA market • Focus on continuing to grow our market share with our Rest of World and First Responder customers

3. Talent management →

Business risk	What happened in 2021	Mitigation	Focus for 2022
• Inability to recruit and retain talent • Poor employee competence and failure to train and develop • Dysfunctional organisational structures **Impact on** • Strategy delivery • Sales, costs and profitability • Employee morale	• Supported the successful transition of our new employees following the completion of the acquisition of Team Wendy • Focused on building out specialist roles within the operations function to support more efficient and consistent delivery • Continued focus on employee safety through the COVID-19 pandemic • Tight U.S. labour market affected ability to increase output, particularly at Cadillac • Reviewed and aligned hourly pay rates and benefits to market benchmarks across U.S. sites • HR system strategy and provider agreed • Introduced employee engagement forum to provide feedback to the Board • Full programme of monthly Leadership Insights to the workforce including from the Board Chair	• Robust succession planning and effective performance management process • Effective training and development strategy and activities • Appropriate organisational structure with clear lines of authority and communication • Maintaining positive Avon Protection culture – Great Place to Work • Well invested and structured HR team	• Expand the HR team to support recruitment, diversity and training and development • Implement new HR system to automate/improve processes • Review and align indirect staff pay and benefits to support recruitment and retention • Hold flagship talent development programmes after hiatus last year due to COVID-19 • Implement and manage disruption from the U.S. vaccine mandate • Continue high degree of focus on safety practices across sites • Continue focus on people, culture and prioritisation of actioning employee feedback, aligned with ESG strategy • Leverage succession planning process to drive T&D activity • Continue focus on employee safety measures against COVID-19

4. Cyber security and Information technology →

Business risk	What happened in 2021	Mitigation	Focus for 2022
• Business interruption/cash cost of cyber crime and fraud • IT system or communications failure could lead to business continuity event • Military security requirements result in excess cost and management time • Failure to comply results in loss of contract **Impact on** • Ability to ship products • Financial loss • Reputational damage	• Continued maturing of the IT operating model, focused on infrastructure and systems improvements and IT operating efficiency across enlarged Group • Continued to stabilise new IT system within the ballistic business • Supported the transition of Team Wendy into the Group IT infrastructure and systems including Office 365 rollout • Outsourced desktop managed services across all sites • Reviewed information/data storage strategy	• IT strategy anticipates forthcoming requirements • IT sufficiently resourced with specialists to ensure compliance • Robust network/IT controls and security protocols/policy • Cyber insurance and IT disaster recovery plan and backup	• Implement new CRM and HR systems • Improve reporting in the ballistic protection business and prepare the remaining sites for rollout • Implement business intelligence and master data management strategy • Continued investment in cyber security and CMMC

5. Customer dependency ↓

Business risk	What happened in 2021	Mitigation	Focus for 2022
• Over reliance on customers, e.g. the U.S. DOD, and its funding and contract process • Failure to diversify customer base **Impact on** • Sales and profitability	• Continued focus on prioritising customer relationships and strong global dealer/distribution network • Cross-selling broader product portfolio outside the DOD to Rest of World and First Responder customers through existing sales channels and leveraging from Team Wendy's diversified customer network • COVID-19 disruption to order placement/administration/lot testing processes by DOD • Recruited new EMEA commercial lead	• Strong customer relationship management with an appropriate team structure, communication and customer service • Understanding our Military customer requirements and forthcoming procurement requirements • Strategy provides for diversification of customer base with particular focus on Rest of World and First Responder customers	• Continue to meet the challenge of having the DOD as our main customer. Focus on executing First Responder and Military strategy in EMEA and major contract wins • DOD M50 stocking programme/technology insertion strategy • Consolidate relationship/future bids with U.K. MOD • Maximise opportunity to engage with NATO countries under NATO framework contract

Principal Risks and Risk Management continued

6. Financial management ↑

Business risk	What happened in 2021	Mitigation	Focus for 2022
• Insufficient management of risks related to tax, cash flows and foreign currency exposure • Insufficient funding capacity to meet strategic objectives • Insufficient overhead control and working capital management erode margins or impair investment ability • Poor quality financial reporting and business information impacts decision making **Impact on** • Costs and profitability • Reputational damage	• Continued focus on cash generation and working capital management • Aligned reporting following the Team Wendy acquisition • First year of U.S. dollar reporting reduced foreign currency translational exposure	• Robust and professional corporate finance function sufficiently well resourced and supported by network of professional advisors • Full compliance with bank facility covenant requirements • Robust internal financial control and reporting procedures supported by the external and internal audit process • Effective currency hedging strategy	• Improved business information and decision making (capex, opex, inventory, working capital) • New investment committee established to review and approve capital investments aligned with strategic priorities

7. Manufacturing risk ↑

Business risk	What happened in 2021	Mitigation	Focus for 2022
• Shocks to the global supply chain impact our ability to source key materials and the cost of manufacturing • Quality control process failure leads to product failures or recall • Environmental or health and safety incident results in plant closure and prosecution/fines • Poorly managed distribution or logistics network impacts delivery and reputation • Delays in new product introductions **Impact on** • Costs, sales and profitability	• Team Wendy site remained autonomous under local manufacturing lead • Maturing of the operations structures and growth of capability and capacity of the team under new Ops leadership • Leadership team supplemented with continuous improvement, quality and health and safety hires • SIOP process re-engineered to ensure orders converted to evenue in line with forecast • Supply chain disruption due to environmental factors and the COVID-19 pandemic impacted ability to manufacture and ship in H2, lead times lengthened • Ballistic shell insourcing commenced at Team Wendy • Approval delays on DLA ESAPI	• Robust supplier audit and quality management • Written supply agreements in place including dual source where necessary • Robust manufacturing/operational disciplines and fully functioning and effective systems • Strong site leadership and engaged, motivated manufacturing workforce • Insurance and effective business continuity planning • Prioritisation of workforce safety and wellbeing through the COVID-19 pandemic	• Leverage HPW Manufacturing Licence Agreement to increase 50 series production and reduce reliance on Cadillac • Supply chain risk mitigation plan obustness, define additional sources for key raw materials and components, increase sourcing resource, address areas of supply chain weakness that have developed through the COVID-19 pandemic • Recruit integrated business planning lead • IHPS Next Gen FAT approval • Renewed focus on business continuity planning for our plants, including focus on environmental/ climate risks • Create environmental sustainability strategy across all sites to bring the U.S. sites up the same standard as the U.K. • Team Wendy approved as pad supplier on IHPS Next Generation helmet • DLA ESAPI FAT approval and managed exit from armor business

8. Compliance and legal matters ↓

Business risk	What happened in 2021	Mitigation	Focus for 2022
• Failure to comply with export controls slows or removes ability to ship abroad • Prosecution, fines and negative publicity resulting from bribery and corruption • Litigation drains cost and management time negatively impacting other areas • Failure to comply with government contract obligations results in loss of contract **Impact on** • Ability to ship products • Financial loss • Reputational damage	• Maintained high standards and integration of compliance teams within the businesses • Finalised U.S. security clearance to support ballistic protection U.S. DOD contracts and finalised Special Security Arrangement for Avon Protection Ceradyne • Recruited additional commercial leadership at Avon Protection Ceradyne • Team Wendy governance/control implemented and introduction to Avon Protection's legal and compliance processes • Deloitte annual programme of assurance work delivered	• Effective export control policy supported by training • Effective anti-bribery and corruption policy supported by training • Embedded and effective Code of Conduct • Effective internal legal and finance function • Effective government contract specialist knowledge reporting at a senior level	• Deloitte FY22 internal audit work programme • Programme of compliance training under new compliance brand

9. Political and economic stability ↓

Business risk	What happened in 2021	Mitigation	Focus for 2022
• Unpredictable timing/amount of federal funding for First Responder customers • U.S. DOD budgets/funding withdrawn • Negative impact from COVID-19 and Brexit on: trade, regulation, people, contracts and intellectual property **Impact on** • Sales and profitability • Ability to ship products • Financial loss • Reputational damage	• Readiness and planning for potential changes in global trading conditions from the ongoing COVID-19 pandemic and U.S. Presidential elections and other political/economic events • We remain less exposed to the political instability and impact on trading of Brexit with our U.S. based businesses constituting around 90% of the Group • Tight U.S. labour market • Continued Resolution passed on U.S. Defense budget	• Close monitoring of federal funding and budget position • Lobbyist/government advisers and key influencers aligned to Avon Protection's interests • Brexit risk assessment and identified mitigations ready for implementation	• Manage ongoing impact of COVID-19 on DOD processes • Recruit additional supply chain/sourcing resource to manage disruption to supply chain • Focus on mitigating potential labour shortage risk due to U.S. vaccine mandate and tight U.S. labour market • Monitor and manage impact of U.S. Federal Government Continuing Resolution on U.S. DOD budget and order flow

S172 Statement

ENGAGING WITH OUR STAKEHOLDERS

The Board acknowledges that positive interaction with all stakeholders is key to underpinning positive engagement and fully informed decision-making on material issues. As part of ensuring that the requirements of section 172 are met, stakeholder engagement by the Board and the wider business takes place across the Group at all levels.

The Board recognises that in order to ensure the continued success of the Group, all decisions must be taken with regard to the long-term outcome of any course of action and its impact on all stakeholders. In accordance with section 172 of the Act, each of our Directors acts in the way that he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

Throughout the year, our Directors have had regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term
- interests of the Company's employees
- need to foster the Company's business relationships with suppliers, customers and other key stakeholders
- impact of the Company's operations on the community and the environment
- desirability of the Company maintaining a reputation for high standards of business conduct and
- need to act fairly as between members of the Company.

In addition, it is important to recognise that Directors fulfil their duties, in part, through the Group's robust governance framework where day-to-day decision making is delegated to management.

Certain financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval. Key decisions relating to strategy and its implementation are taken by the Board.

The Board has a clear framework for determining the matters within its remit and has approved Terms of Reference for the matters delegated to its Committees.

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

The Board gains oversight of engagement with the wider business through reports from the executive management team and through the attendance of the executive management at its meetings where relevant. This interaction also provides an opportunity for any stakeholder issues to be escalated by management to the Board.

Evidence of how the Board has discharged its duties and considered the factors relating to section 172 are found throughout our Annual Report. Specific examples of how the Board has discharged its duties in relation to stakeholder engagement can be found above. In addition to the summary of stakeholder engagement, further details of how the Board has discharged its duties in 2021 are included in the Governance sections of this report.

How we engage with:

Our people

In addition to annual surveys to track employee engagement and feedback, a programme has been created to continue driving change across the business at local and group level and provide an additional channel for engagement with the Board. Teams of Culture Champions help develop and cultivate excitement in our workplace culture using responses from surveys and feedback groups to discuss possible solutions to focus areas identified and help facilitate actions. Comprising of the network of Culture Champions, a Global Employee Advisory Forum has formed, meeting twice a year to provide an additional channel for the Board to obtain direct feedback on current workplace matters.

Our leadership host monthly events, providing all employees an opportunity to directly ask leadership, including the Board, questions relating to business performance, strategy, culture or employee experience. The CEO also hosts an annual roadshow providing employees with an update on the business and progress against the strategy. This is a chance for employees to hear directly from the CEO and is followed by a live Q&A event to answer employee questions.

Shareholders

The Group regards regular communications with shareholders as extremely important to understand their views and concerns. We consult with our shareholders through open and frequent communications, predominantly led by the Chief Executive Officer and Chief Financial Officer. There are open channels of communication during the AGM and through the Company Secretary where shareholders can raise questions with the Directors. Regular dialogue takes place with institutional shareholders, including presentations after the Company's half and full year results and other milestone announcements with a series of direct meetings throughout the year.

Customers

We partner closely with our customers to design products which enhance the capability of end users. Throughout the product development process we engage with our customers to ensure we are responding to their developing needs. We have dedicated leadership channels to manage and prioritise our customer relationships. Our 'Customer' core value is at the forefront of our employees' minds and they are proud of the products we create for our customers and end users.

Suppliers

Through site visits and a programme of supplier audits, we ensure suppliers adhere to our supplier code of conduct and quality expectations. Prompt and fair payments help to build the long-term relationships we strive for with all our suppliers and we have committed teams to continue building these relationships. We continue to work with new and existing suppliers to develop our knowledge and product range.

Communities

We have an established community initiative focused on economic, social and environmental sustainability in our local communities. Within our community initiative is our Charitable Giving Programme, providing match funding and donations to the organisations in areas which our employees have close ties with. We also sponsor community programmes with Bath Rugby, including Attacking Maths which aims to help develop children's numeracy skills, and girls and women's rugby hubs helping to increase female participation in the sport.

What did we talk to them about?	Outcomes
Global Employee Advisory Forum topics including communication, COVID-19 and business strategy have been discussed. Through this open channel we seek employees' honest feedback. Leadership events and the CEO Roadshow Q&A event provide our leadership team with the chance to update our employees on business strategy, the year in review and looking to the future.	Detailed feedback from surveys and the Culture Champions have contributed toward the newly revised remuneration policy for our hourly paid employees and an increase in communication from leadership to address employee questions more frequently.
We sought to engage with all major shareholders who voted against the resolution to approve the Directors Remuneration Policy (which received 23.7% votes against) at last year's AGM to better understand their reasons. Responses from shareholders indicated two main issues: 1) the salary increases applied to Executive Directors for FY21 and 2) the timing of the Executive Directors' pension reductions, whose contribution rates were due to reduce to the workforce level from 1 October 2023, rather than from 1 January 2023.	As explained on page 94, Executive Director pension contributions will now be aligned to the wider workforce on appointment of the replacement Chief Financial Officer, expected to be in early 2022.
The majority of our product development pipeline is designed in partnership with our customers to ensure we are in active dialogue and that their performance requirements are met.	We have developed long-standing relationships with our customers which provide opportunities to work with user groups to ensure their evolving operational needs are anticipated in future product developments.
We set out our expectations on the standards of behaviour of our suppliers and business partners which reflects our own Group-wide standards and we have a Supplier Code of Conduct to support this. We engage with our suppliers on how to better build long-term relationships.	Consistent delivery of quality materials and services from our long-term suppliers and a clear understanding of our expectations.
We talked to the students in our local communities about what it's like to have a career in STEM, the career paths they can take and how to get there.	During FY21, we made $45,132 in charitable contributions to the local communities and organisations close to our employees. We actively encourage employees to use the charitable giving options we provide.

The Strategic Report on pages 16 to 59 was approved by the Board of Directors on 14 December 2021 and signed on its behalf by:

Paul McDonald
Chief Executive Officer

Nick Keveth
Chief Financial Officer

> "Our job is to protect people by relentlessly advancing the future of protection. Our purpose unites us, guides us and inspires us."

GOVERNANCE

62 Board of Directors
64 Corporate Governance Report
68 Nomination Committee Report
70 Audit Committee Report
75 Remuneration Report
96 Directors' Report

Board of Directors

Bruce Thompson

Chair

First appointment: March 2020

Appointed Chair: December 2020

Skills and experience:

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

Paul McDonald

Chief Executive Officer

First appointment: February 2017

Skills and experience:

Prior to his appointment as Chief Executive Officer in 2017, Paul was Managing Director of milkrite | InterPuls, and since 2007, a key member of the Group Executive management team. Paul joined the Group in 2003 and spent the early part of his career at Avon in commercial and operational roles which included responsibility for all U.K. operations and the European divisional business units.

Nick Keveth

Chief Financial Officer

First appointment: June 2017

Skills and experience:

Nick was appointed as Chief Financial Officer in June 2017. Prior to joining Avon, Nick was Director of Finance, Planning and Reporting at Imperial Brands, the FTSE 100 tobacco group. He was with Imperial for 12 years and held a variety of senior finance roles during this period. Nick also served as a Non-Executive Director of the Spanish listed group Compania de Distribucion Integral Logista Holdings, S.A., a leading distributor of products and services to convenience retailers in Southern Europe, from 2014 until 2017. Prior to joining Imperial Nick worked for PricewaterhouseCoopers for 14 years in both audit and advisory roles.

Chloe Ponsonby

Non-Executive Director

Senior Independent Director

First appointment: March 2016

Skills and experience:

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

OUR BUSINESS IS LED BY OUR EXPERIENCED BOARD OF DIRECTORS WHO FOCUS ON DEVELOPING THE GROUP'S STRATEGY AND SUPPORTING MANAGEMENT TO EXECUTE AGAINST IT.

Board membership key

Audit Committee · Nomination Committee · Remuneration Committee · C Chair · i Independent Director

Bindi Foyle

Non-Executive Director

First appointment: May 2020

Skills and experience:

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

Victor Chavez CBE

Non-Executive Director

First appointment: December 2020

Skills and experience:

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

Miles Ingrey-Counter

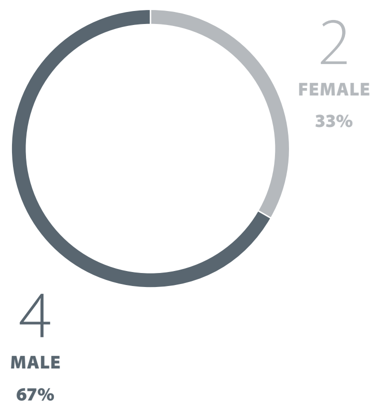
Group Counsel and Company Secretary

First appointment: October 2007

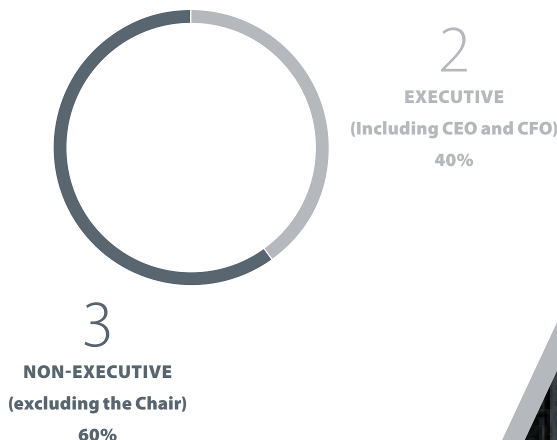
Skills and experience:

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

Board gender diversity



Independence



The above graphs do not include the Company Secretary.

Corporate Governance Report

Introduction

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

Statement of compliance with the Code

We are pleased to confirm that the Board has complied with all provisions of the Code throughout 2021, with the exception of the following:

- Provision 38: The Code stipulates that pension contribution rates for Executive Directors should be aligned with those available to the workforce. Pension contributions for new Executive Directors are aligned with the rate available to the workforce. Following the announcement of the retirement of Nick Keveth as Chief Financial Officer, Paul McDonald has volunteered to accept a reduced pension contribution in line with the workforce upon the appointment of the replacement Chief Financial Officer, the recruitment process for which is described on page 69.

Board leadership

The Board comprises two Executive Directors and four Non-Executive Directors (including the Chair, Bruce Thompson). The Board regularly reviews its composition to ensure it has the necessary breadth and depth of skills to support the development of the Group. We believe that the Board continues to have a strong mix of experienced individuals who provide a unique perspective on Company matters and bring specific skills to the Board. Biographical details for each member of the Board can be found on pages 62 and 63 of this Annual Report. All Directors will stand for reappointment by shareholders at the 2022 AGM.

Company purpose

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

Our culture

The Board clearly recognises the importance of culture and its link to delivering our purpose and strategy. Assessing and monitoring our culture is important to ensure we retain a successful culture as we grow. Through our employee engagement initiatives, explained in more detail on page 34, the Board has sought to achieve greater engagement with the workforce. The Board has considered carefully the most effective way of achieving this engagement and during the year decided to move away from a designated employee engagement NED to the creation of a Global Employee Advisory Forum.

In our business, with employees across seven sites (six of which are in the United States), it was felt that this is a better and more practical approach to ensuring local views are captured and reported back to the Board in a timely manner. Further details on the operation of the Global Employee Advisory Forum are set out on page 58.

Division of responsibilities

There is a clear division of responsibility between the running of the Board by the Chair and the running of the Group's business by the Chief Executive Officer. The Chair is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chief Executive Officer manages the Group and has the primary role, with the assistance of the Board, of developing and implementing business strategy. The Chair ensures that meetings of Non-Executive Directors take place without the Executive Directors present. Rules concerning the appointment and replacement of Directors of the Company are contained in the Articles of Association. Amendments to the Articles must be approved by a special resolution of shareholders. One of the roles of the Non-Executive Directors, under the leadership of the Chair, is to undertake detailed examination and discussion of strategies proposed by the Executive Directors, so as to ensure that decisions are made in the best long-term interests of shareholders and take proper account of the interests of the Group's other stakeholders.

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

How the Board operates

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

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

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

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

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

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

Committees of the Board

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

Bindi Foyle took over as Chair of the Audit Committee on 29 January 2021 when Pim Vervaat stepped down from the Board. The Board is satisfied that Ms Foyle has recent relevant financial experience and her profile appears on page 63.

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

Chloe Ponsonby is Chair of the Remuneration Committee. The Remuneration Committee's principal responsibilities are to decide on remuneration policy on behalf of the Board and to determine remuneration packages and other terms and conditions of employment, including appropriate performance-related benefits for the Executive Directors and other senior executives. The Remuneration Committee also has regard to the remuneration of the wider workforce. More details of the activities of the Remuneration Committee are set out in the Remuneration Report on pages 75 to 95.

Composition, succession and evaluation

The Nomination Committee is responsible for leading the process for Board appointments and making recommendations to the Board, putting in place plans for succession and regularly reviewing the Board's structure, size and composition. The Committee takes into account the challenges and opportunities facing the Group and the skills, knowledge and experience needed by the Board and makes recommendations to the Board with regard to any changes. Further information and the activities of the Nomination Committee during the year are detailed on page 68.

Attendance at meetings

All Committee and Board meetings held in the year were quorate. Directors' attendance during the year ended 30 September 2021 was as follows:

	Board (10 meetings)	Audit Committee (4 scheduled and 2 ad hoc meetings)	Remuneration Committee (3 scheduled and 2 ad hoc meetings)	Nomination Committee (3 scheduled and 1 ad hoc meeting)
Bruce Thompson	10 (10)	2(2)[2]	5 (5)	4 (4)
Bindi Foyle	9 (10)	6 (6)	4 (5)	4 (4)
Chloe Ponsonby	10 (10)	6 (6)	5 (5)	4 (4)
Victor Chavez[1]	7 (8)	4 (4)	3 (3)	4 (4)
Nick Keveth	10 (10)	–	–	–
Paul McDonald	10 (10)	–	–	–

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

1 Victor Chavez Joined the Board on 2 December 2020.

2 Bruce Thompson stepped down as a member of the Audit Committee on his appointment as Chair on 2 December 2020.

Corporate Governance Report continued

Performance evaluation

The Board continually strives to improve its effectiveness and conducts an annual review of its performance and that of its Committees and the individual Directors to enhance overall Board effectiveness. As a result of the COVID-19 pandemic, all Board meetings were held via video conference until July 2021. Given this and recent appointments it was agreed that the 2021 Board evaluation process would be conducted internally using questionnaires and interviews led by the Company Secretary. The 2022 evaluation will be externally facilitated.

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

A detailed discussion of the findings from the performance evaluation took place at the September 2021 Board meeting. Overall, the evaluation concluded that the Board, its Committees, the individual Directors and the Chair performed effectively during 2021, both individually and as a collective unit. It was concluded that there had been an improvement in the skills and experience across the Board following the appointments of Bruce Thompson, Bindi Foyle and Victor Chavez. The following areas have been identified by the Board as areas of focus for 2022 and beyond: increasing opportunities for interaction between the Board and the wider management team (which was hampered in 2021 due to the pandemic), greater focus on succession planning and risk management.

Audit, risk and internal control

The Board has an established framework of internal controls covering both financial and non-financial controls. In addition, there is a process for identifying, evaluating and managing significant business risks, including emerging risks, faced by the Group. This process was in place throughout the 2021 financial year.

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

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

The Audit Committee keeps this system under continuous review and formally considers its content and its effectiveness on an annual basis. Such a system can provide only reasonable, and not absolute, assurance against material misstatements or losses. The section on internal control in the Audit Committee Report on page 74 and the following paragraphs describe relevant key procedures within the Group's systems of internal control and the process by which the Directors have reviewed their effectiveness.

Systems exist throughout the Group which provide for the creation of three-year plans and annual budgets; monthly reports enable the Board to compare performance against budget and to take action where appropriate. Procedures are in place to identify all major and emerging business risks and to evaluate their potential impact on the Group. These risks are described within the Strategic Report on pages 52 to 57.

Risk management

Risk is managed by the Group Executive team during the year, led by the Risk Committee, which is led by the Company Secretary. Various enhancements to the risk management process were implemented during the year and these are set out in more detail in the Principle Risks and Risk Management section on pages 52 to 57.

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

Internal control

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

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

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

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

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

Relations with shareholders

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

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

Special Security Agreement

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

Disclosure and Transparency Rules (DTR)

Disclosures in respect of the DTR requirements under DTR 7.2.6 are given in the Directors' Report on pages 96 to 99 and have been included by reference.

Going concern

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

The Directors have prepared a going concern assessment covering the 12 month period from the date of approval of these financial statements. The assessment, which takes account of the impact of the strategic review of the armor business (see note 7.6), indicates that the Group will have sufficient funds to meet its liabilities as they fall due for that period.

As part of their assessment, the Directors considered a base case, which reflects the impact of the strategic review of the armor business and a severe downside scenario involving a 25% decline in bank-determined adjusted EBITDA against the base case. Even in this severe downside scenario, the assessment indicates that the Group will have sufficient funds to meet its liabilities as they fall due, and will continue to comply with its loan covenants, throughout the forecast period. The Group has committed RCF facilities of $200 million (see note 5.1) and related loan covenants include a limit of 3.0 times for the ratio of net debt, excluding lease liabilities, to bank-determined adjusted EBITDA (leverage).

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

Viability Statement

The Directors have assessed the viability of the Group over a three-year period to September 2024, taking account of the Group's current position, the impact of the strategic review of armor and potential impact of the principal risks documented in the Strategic Report. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to September 2024.

In making this statement, the Directors have considered the resilience of the Group, taking account of its current position, the principal risks facing the business in severe but plausible downside scenarios, and the effectiveness of any mitigating actions. This assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period. In making their assessment, the Directors have taken account of the Group's revolving credit facility which covers the three-year lookout period. During the year the Group has complied with all covenant requirements attached to its financing facilities.

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

Nomination Committee Report

"The Committee regularly reviews the Board's structure and gives full consideration to succession planning for Directors and other senior executives, to ensure we are best resourced to deliver the Group's strategy."

LETTER FROM THE CHAIR OF THE NOMINATION COMMITTEE

The Nomination Committee comprises all the Non-Executive Directors.

Main responsibilities

The main responsibilities of the Committee are as follows:

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

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

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

Diversity

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

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

During 2021 we have supported a number of Balance@Avon initiatives, including International Women's Day and the launch of a female mentoring programme. We have achieved our minimum

target of 33% female representation on the Board and continue to work to achieve the same minimum target representation for the Group Executive team and their direct reports.

Further information, including the number of women in senior management and within the organisation is shown in the Sustainability Report on page 34.

Activities during 2021

During the year, the Committee:

- commenced the search for a new Chief Financial Officer to replace Nick Keveth when he stands down in March 2022;
- considered and confirmed the appointment of Chloe Ponsonby as the Senior Independent Director following the departure of Pim Vervaat;
- considered and confirmed the appointment of Victor Chavez as Non-Executive Director;
- reviewed the composition of the Board and its succession plan;
- reviewed progress made on the recruitment for senior positions, including a new Group Chief Operating Officer;
- carried out an annual review of the Committee's Terms of Reference;
- recommended re-election of the Board at the forthcoming Annual General Meeting; and
- reviewed the Board performance evaluation process.

Board changes

As set out in last year's report, David Evans stepped down from the Board in December 2020 and I replaced him as Chair. Pim Vervaat stood down from the Board at the 2021 AGM and Chloe Ponsonby took the role of Senior Independent Director.

Victor Chavez CBE was appointed to the Board as Non-Executive Director on 1 December 2020. The recruitment process for Victor's appointment was disclosed in last year's report. Victor's biography, together with those of all Board Directors, is included on page 62.

As announced to shareholders on 25 May 2021, after what will be approaching five years, Nick Keveth will be retiring from the Board on or before the end of March 2022. The recruitment process to find Nick's replacement commenced over the summer, led by me as Chair of the Committee. Independent executive search consultants Korn Ferry were retained and provided with a detailed description of the role and associated skills and experience required. Korn Ferry compiled a long list of potential candidates based on initial interviews, from which a shortlist of candidates was selected by the Committee.

Shortlisted candidates have been interviewed initially by the Chief Executive, Company Secretary and myself, and subsequently by Bindi Foyle and Nick Keveth. Preferred candidates were then interviewed by Chloe Ponsonby and Victor Chavez to ensure the candidates were exposed to all of the Directors. We expect to be in a position to provide an update on Nick's replacement on or before the date of the AGM in January. Korn Ferry has no other connection with the Company or its Directors.

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

Succession planning

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

Alongside this, the Committee also retains oversight of the programmes in place to assess and facilitate talent development amongst the management teams to ensure there is a structured approach to growing, developing and retaining the Company's future leaders.

Committee evaluation

The evaluation of the effectiveness of the Committee was conducted as part of this year's Board performance evaluation. The outcome of the 2021 Committee review was positive and highlighted the need for the Committee to retain focus on succession planning for Non-Executive and Executive Director roles in 2022 and to play a stronger role in the oversight of the internal talent pipeline. Further detail on the result of the Board evaluation exercise is included on page 66 of the Corporate Governance Report.

Bruce Thompson
Chair of the Nomination Committee

14 December 2021

Audit Committee Report

"The Committee has continued to monitor the integrity of the Group's financial statements and supported the Board with its ongoing monitoring of the Group's risk management and internal control systems."

AUDIT COMMITTEE CHAIR'S OVERVIEW

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

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

During the 2021 financial year, the Committee has continued to monitor the integrity of the Group's financial statements and supported the Board with its ongoing monitoring of the Group's risk management and internal control systems. The Committee also determined the focus of the Group's internal audit activity, reviewed its findings, and verified that recommendations were being appropriately implemented.

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

During 2021 the Audit Committee undertook a full evaluation exercise of KPMG's audit approach, to ensure the effectiveness of the external audit function. Reviewing the results of the evaluation of the external audit process, we are satisfied with both the auditor's independence and audit approach.

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

Main responsibilities of the Audit Committee

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

The key objectives of the Audit Committee are:

- To provide effective governance and control over the integrity of the Group's financial reporting and review the significant financial reporting judgements.
- To support the Board with its ongoing monitoring of the effectiveness of the Group's system of internal controls and risk management systems.
- To monitor the effectiveness of the Group's internal audit function and review its material findings.

- To oversee the relationship with the external auditor and make recommendations to the Board in relation to the re-appointment of the external auditor and monitor the external auditor's objectivity and independence.
- To review the adequacy of the Company's whistleblowing arrangements and the provision of appropriate investigation of any matters raised.
- To advise the Board on whether the Committee believes the Annual Report and Accounts, taken as a whole, is fair, balanced, and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Composition of the Audit Committee

The members of the Committee are set out on page 65 of the Corporate Governance Report. Whilst the Board Chair is no longer a member of the Committee, he is invited to attend all Committee meetings together with the Executive Directors.

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

2021 Annual Report

The main areas of focus considered by the Committee during 2021 were as follows:

- The presentation of the financial statements and the quality and acceptability of accounting policies and practices including the presentation of adjusted performance measures and the adjusting items. The Committee reviewed papers prepared by management, challenged management's judgements and estimates, and reviewed the disclosure of adjusted items within the Group's half year and full year results, agreeing that the position taken in the financial statements is appropriate.
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements. Material areas in which significant judgements have been applied, including impairment of armor business assets, are discussed separately in more detail below.
- Review of the acquisition accounting in respect of the acquisition of Team Wendy on 2 November 2020.
- Review of the impairment of armor business assets.
- At the request of the Board, the Committee considered whether the 2021 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Company's position and performance, business model and strategy. Having taken account of the other information provided to the Board throughout the year, the Committee was satisfied that, taken as a whole, the Annual Report and Accounts was fair, balanced and understandable.

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

Significant judgements and estimates considered by the Audit Committee

After discussions with management and the external auditor, the Committee determined that the key risk of material misstatement of the Group's 2021 financial statements arose in the following areas:

- Identification and valuation of acquired intangible assets.
- Development costs.
- Impairment of armor business assets.
- Estimation of the defined benefit pension obligation.

Identification and valuation of acquired intangible assets

The valuation of intangible assets acquired as a result of acquisitions involves significant judgement and changes in underlying assumptions could have a significant impact on the carrying value of these assets.

Acquired intangibles include customer relationships, brands and trademarks, patents, and order books. The fair value of assets acquired is determined using complex valuation techniques including the forecasting and discounting of future cash flows. This includes assumptions such as discount rates and estimates for growth rates, weighted average cost of capital and useful lives which are inherently judgemental.

Following a review of the key issues in relation to Group's acquired intangible assets, the Committee concurred with management that the carrying value as included in the 30 September 2021 balance sheet was appropriate.

Audit Committee Report continued

The external auditor explained their audit procedures to test the carrying value of acquired intangible assets and, based on the work undertaken, KPMG reported no inconsistencies or misstatements that were material in the context of the financial statements as a whole.

Further analysis and detail on the Group's acquired intangible assets is set out in note 3.1 of the financial statements.

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 assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. If either technological or economic feasibility is not demonstrated then the capitalised costs will be written off to the income statement.

Following a review of the key issues in relation to the valuation of the Group's development costs, including armor business assets discussed further below, the Committee concurred with management that the carrying value as included in the 30 September 2021 balance sheet was appropriate.

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

Impairment of armor business 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 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 concluded it is in the best interests of our stakeholders as a whole to undertake an orderly wind-down of the armor business.

The Committee specifically considered the following significant judgements in this area:

- The extent to which the failure of the VTP ESAPI body armor product is an adjusting event that provides evidence of conditions that existed at the end of the reporting period.
- Estimates of armor future cash flows included in the 30 September 2021 impairment review.

Following a review of these judgements, the Committee concurred with management that the decision to fully impair armor assets to recoverable amounts in the 30 September 2021 balance sheet was appropriate and that no further impairments were required at the higher levels tested.

The external auditor explained their audit procedures to test the impairment of armor business assets and, based on the work undertaken, KPMG concluded proposed charges were acceptable. Further detail on armor related impairments are set out in note 3.1 of the financial statements.

Estimation of the defined benefit pension assets and obligations

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

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

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

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

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

External auditors

The Audit Committee considers the appointment of the external auditor each year. KPMG LLP ('KPMG') were appointed as the Group's external auditors for the 2019 audit following a tender process in 2018. 2021 is KPMG's third year as the Group's external auditor and Andrew Campbell-Orde has acted as audit partner since KPMG's appointment.

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

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

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

Review of the effectiveness of the external auditor

The Committee evaluates the effectiveness of the external auditor annually. This evaluation includes a review of the effectiveness of the external audit process, consideration of whether management had been adequately challenged, interaction with the Committee and quality of the audit work. The 2020 review included reports from the external auditor and management incorporating feedback against a formal assessment framework from key members of the Group's finance team and those employees who had interacted with KPMG during the audit. This report was reviewed at the Committee's meeting in May 2021. Overall feedback was positive and where opportunities for improvement were identified in respect of earlier discussion with management of developments and changes during the year, KPMG were asked to take account of that feedback in the planning for future audit activity. KPMG and management also undertook to work together to more clearly define the information required from management during the audit to aid increased audit efficiency. This review concluded that the audit was conducted to a good standard with appropriate focus and challenge on the key audit risks.

KPMG have discussed more generally the firm's process for enhancing audit quality which includes internal quality reviews, and the I had direct discussions with the KPMG Head of Audit, UK to discuss the firm's quality improvement plans.

Audit fees and auditor re-appointment

During 2021, the Committee reviewed and approved the proposed audit fees and terms of engagement for the 2021 audit and recommended to the Board that it proposes to shareholders that KPMG be re-appointed as the Group's external auditor for 2022 at the AGM to be held on 28 January 2022.

Auditor independence

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

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

The breakdown of the fees paid to the external auditor is included in note 2.5 of the financial statements. No non-audit services were provided by KPMG during the year.

Interactions with Financial Reporting Council

The Group received a letter in July 2021 from the Conduct Committee of the FRC regarding its annual review of annual accounts, strategic reports and directors' reports of public and large private companies. The FRC requested additional information on three accounting disclosure areas in the Group's 2020 Annual Report and Accounts. These were a further explanation for using alternative performance measures (APMs), further APM reconciliations and further clarification on the classification of the revolving credit facility as a current liability. The Group, following Board approval, responded to the FRC with information on each of the three disclosure areas and confirmation of the inclusion of additional disclosures in this Annual Report along with the restatement of the ROCE for the FY20. The FRC closed the review process following the Group's response. No changes to the 2020 Annual Report were necessary as a result of the FRC's review. In their letter, the FRC also highlighted for consideration our presentation of certain other items in the Group's 2020 Annual Report and Accounts and, following this, we have made a small number of minor disclosure improvements in this Annual Report, including the incorporation of a new section focusing on the Group's Adjusted Performance Measures on page 101.

The FRC's review was based on the Annual Report and Accounts and did not benefit from detailed knowledge of the business or an understanding of the underlying transactions entered into. It was, however, conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework. The review carried out by the FRC provides no assurance that the Annual Report and Accounts were correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

Audit Committee Report continued

Internal control

The Committee regularly reviews the effectiveness of the Group's system of internal controls and risk management. This involves the monitoring and review of the effectiveness of internal audit activities, which included a review of the audits carried out including the recommendations arising, management's responses and actions to address recommendations and approving the internal audit programme and resourcing for 2022.

The Internal Audit programme is comprised of risk-based audits undertaken by Deloitte. Deloitte report directly to the Audit Committee who considered and approved the scope of the 2021 internal audit programme to be undertaken. The Chair of the Committee also holds separate meetings with Deloitte, without executive management being present. During the year, Deloitte focused their internal audit work on the Group's risk management processes, a post implementation review of the SAP ERP system implemented in November 2020 in the former 3M ballistic manufacturing sites, Cyber Security and the Team Wendy governance and controls environment.

Several improvements were identified in respect of developing and enhancing the Group's risk management processes, better documenting the operation of controls and improved access controls within the SAP ERP systems.

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

As part of its work, and in line with its terms of reference, the Committee also considers the discharge of the Board's responsibilities in the areas of corporate governance, financial reporting and internal control, including the internal management of risk, as identified in the Code and the FRC guidance on Risk Management, Internal Control and Related Financial Business Reporting. Risk management activities are dealt with in more detail in the Principal Risks and Risk Management report on pages 52 to 57 and the Corporate Governance Report on pages 64 to 67.

Audit Committee effectiveness review

The evaluation of the effectiveness of the Audit Committee was conducted alongside the Board effectiveness review, information on which is provided in the Corporate Governance report on page 66. The review concluded that the Audit Committee continued to operate effectively during the year.

Bindi Foyle
Chair of the Audit Committee

14 December 2021

Remuneration Report

During the year, the Remuneration Committee implemented the Directors' remuneration policy which was approved by shareholders, ensuring an appropriate alignment between Company performance and reward outcomes.

LETTER FROM THE CHAIR OF THE REMUNERATION COMMITTEE

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2021. This includes the following three sections:

- This Annual Statement which summarises the work of the Remuneration Committee (the 'Committee') in 2021.
- The Directors' Remuneration Policy (the 'Policy') which was approved by shareholders at the 2021 AGM and sets the parameters within which Directors are remunerated.
- The Annual Report on Remuneration which provides (i) details of the remuneration earned by Directors and the link between Company performance and pay in the year ended 30 September 2021 and (ii) how we intend to implement the Policy in 2022.

The Annual Statement and the Annual Report on Remuneration will, together, be subject to the usual advisory shareholder vote at the AGM on 28 January 2022. The Policy, which was approved in January 2021 will continue to apply for the 2022 financial year, the second year of the three year Policy.

Remuneration outcomes for FY2021

The bonuses for 2021 were dependent on a scorecard of measures which included operating profit (40%), cash conversion (20%), revenue (20%) and the delivery of strategic objectives (20%).

The threshold targets for the Group revenue and operating profit metrics were not met and therefore no bonus accrued under these measures. While the threshold target under the cash conversion metrics was exceeded and certain non-financial strategic objectives were achieved, the Executive Directors waived any potential bonus they could have earned for the year. Therefore there were no bonus awards for the Executive Directors. Details of the targets can be found on page 88.

Vesting of the long term incentive plan awards made on 20 March 2019 was based on relative TSR and EPS growth over the three-year performance period. The Group's three-year TSR was 67.5% which ranked the Company in the top quartile of the peer group resulting in this part of the award vesting in full. The 2021 adjusted basic EPS of 60.6c was below the threshold target and so none of this part of the award will vest. Therefore 50% of the awards will vest.

Remuneration Report continued

Application of Policy in 2022

The Committee will seek to implement the Policy as follows:

Base salaries

In line with the salary increase given to the wider workforce, Paul McDonald's base salary will be increased from £500,000 to £513,750 and Nick Keveth's from £350,000 to £359,625, a 2.75% increase respectively.

Annual bonus

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

LTIP

The Committee intends to grant LTIP awards to senior Executives in 2022. Due to the strategic review of the body armor business, the terms of the LTIP awards will be determined by the Committee in January 2022 and details of the measures and targets will be communicated in the accompanying RNS announcement.

Departure of Nick Keveth

Nick Keveth informed the Board of his intention to retire from the Board by no later than 31 March 2022, as announced on 25 May 2021. Nick will receive his salary, benefits and pension for the time he remains in employment. As a retiree, he will be treated as a good leaver under the incentive schemes with awards vesting on their normal vesting dates, subject to a pro rata reduction for time and performance testing (where relevant).

Shareholder and employee views

In advance of last year's AGM, we undertook a comprehensive review of our Policy which included a wide-reaching consultation exercise. While the Policy received support from 88% of shareholders, the Committee is aware that Resolution 2 to approve the Directors' Remuneration Report received votes against from 23.7% of the votes cast. Following the AGM, we engaged with the shareholders who voted against to understand the reasons for this. Further information on this is set out in this Remuneration Report, including a change to the proposed timing of pension alignment for Paul McDonald, reflecting shareholders' views in this area.

On behalf of the Remuneration Committee, I would like to thank the shareholders that took part in the engagement process. We remain committed to engaging proactively with shareholders and advisory bodies on remuneration matters.

Under the U.K. Corporate Governance Code, we are required to establish a mechanism for gathering the views of the workforce on all matters, including pay. The Board has considered carefully the most effective way of achieving this and has decided to move away from a designated employee engagement NED to the creation of a Global Employee Advisory Forum. In our business with employees across seven sites (six of which are in the U.S.), it was felt that this is a better and more practical approach as it ensures local views are captured and reported back to the Board in a timely manner. This will include a session on pay and how executive pay is aligned with pay generally for all employees.

I am always happy to hear from the Company's shareholders and you can contact me via the Company Secretary if you have any questions on this report or more generally in relation to the Company's remuneration.

Chloe Ponsonby
Chair of the Remuneration Committee

14 December 2021

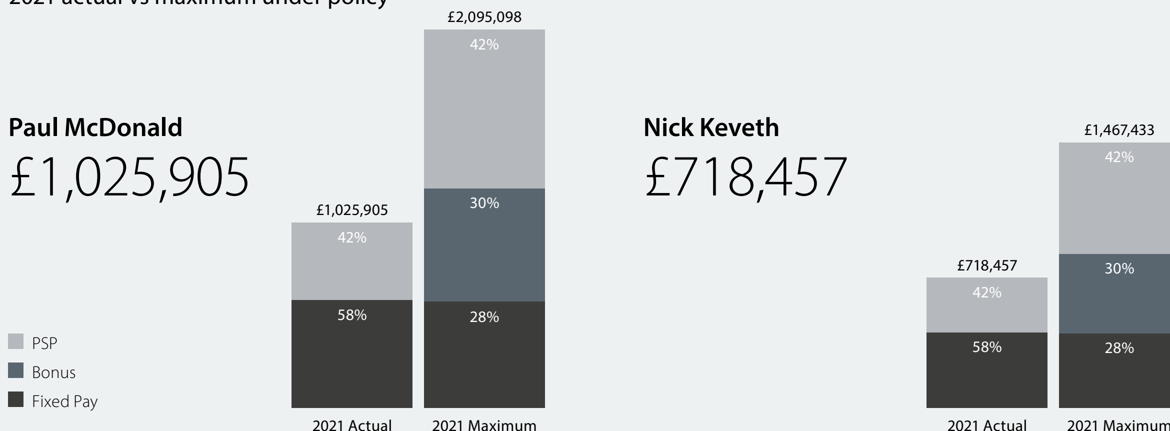
Remuneration at a glance

The key elements of Executive Directors' remuneration packages and our approach to implementation in 2022 are summarised below:

		Remuneration 2021	Remuneration 2022
FIXED PAY	**Salary (annual base)**	CEO £500,000 CFO £350,000	CEO £513,750 CFO £359,625
	Pension	15% of salary for current Executive Directors – reducing to workforce contribution rate from 1 October 2023 (new hires aligned with workforce contribution rate of 7.5% of salary)	15% of salary. The CEO's pension will reduce to 7.5% of salary upon the appointment of a new CFO. The new CFO will be aligned with the workforce contribution rate of 7.5% of salary.
	Benefits	Includes car allowance, private health insurance and life insurance.	No change
ANNUAL BONUS	**Maximum Opportunity**	125% of salary	No change
	Operation	• Performance measures: revenue (20%) operating profit (40%) cash conversion (20%), strategic objectives (20%) • 25% of the overall amount deferred into shares which vest after two years • Malus and clawback provisions apply	No change
LONG-TERM INCENTIVES	**Award level**	CEO 175% of salary CFO 150% of salary	The exact terms of the 2022 LTIP will be agreed by the Committee in January 2022 and will be set out in the RNS at the time of grant.
	Operation	• Performance measures: relative TSR (50% of award) and EPS with a ROCE underpin (50% of award) • Performance measured over three years • Two-year additional holding period applies to vested awards • Malus and clawback provisions apply	
SHAREHOLDING GUIDELINES	**In employment**	200% of salary	No change
	Post-employment	200% of salary to be held for two years post-employment	No change

Executive remuneration

2021 actual vs maximum under policy



REMUNERATION POLICY REPORT

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

Guiding policy

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

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

Considerations when determining remuneration policy

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

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

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

Further details of the role of the Committee and its decision-making process can be found in the Annual Report on Remuneration on page 86.

Policy table

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

Element of Remuneration	Purpose and Link to Strategy	Operation	Maximum Potential Value	Performance Targets
Basic salary	To provide competitive fixed remuneration. To attract and retain Executive Directors of superior calibre in order to deliver long-term business success. Reflects individual experience and role. The Committee's aim is to position salaries around the mid-market level of companies of a similar size, scale and complexity.	Normally reviewed annually by the Remuneration Committee with increases typically effective 1 October. Individual salary adjustments take into account each Executive Director's role, competence and performance. Significant adjustments are infrequent and normally reserved for material changes in role, a significant increase in the size/complexity of the Group, or where an individual has been appointed on a low salary with an intention to bring them to market levels over time and subject to performance. Other factors which will be taken into account will include pay and conditions elsewhere in the Group, progression within the role, and competitive salary levels in companies of a broadly similar size and complexity.	No prescribed maximum or maximum increase. The normal approach will be to limit increases to the average level across the wider workforce, though increases above this level may be awarded subject to Committee discretion to take account of certain circumstances, such as those stated under 'Operation'. On recruitment or promotion, the Committee will consider previous remuneration and pay levels for comparable companies (for example, companies of a similar size and complexity, industry sector or location), when setting salary levels. This may lead to salary being set at a lower or higher level than for the previous incumbent.	Although there are no formal performance conditions, any increase in base salary is only implemented after careful consideration of individual contribution and performance and having due regard to the factors set out in the 'Operation' column of this table.
Benefits	To provide competitive fixed remuneration. To attract and retain Executive Directors of superior calibre in order to deliver long-term business success.	Executive Directors are entitled to benefits such as travel-related benefits including a car or car allowance, medical assessments every two years, private health insurance and life assurance. Executives will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms. Any reasonable business-related expenses (and any tax thereon) can be reimbursed if determined to be a taxable benefit. Executive Directors will be eligible to participate in any all-employee share plan operated by the Company, on the same terms as other eligible employees. For external and internal appointments or relocations, the Company may pay certain relocation and/or incidental expenses as appropriate.	As it is not possible to calculate in advance the cost of all benefits, a maximum is not pre-determined. The maximum level of participation in all-employee share plans is subject to the limits imposed by the relevant tax authority from time to time.	Not applicable.
Pension	To reward sustained contributions by providing retirement benefits.	The Company funds contributions to a Director's pension as appropriate through contribution to the Company's money purchase scheme or through the provision of salary supplements or a combination of these.	Company contribution up to 15% of salary (to reduce to no higher than the general workforce contribution level from 1 October 2023). Future appointments to the Board will receive contributions in line with the prevailing rate offered to the general workforce (currently 7.5% of salary in the U.K.) in the country where they are based at the time.	Not applicable.

Remuneration Report continued

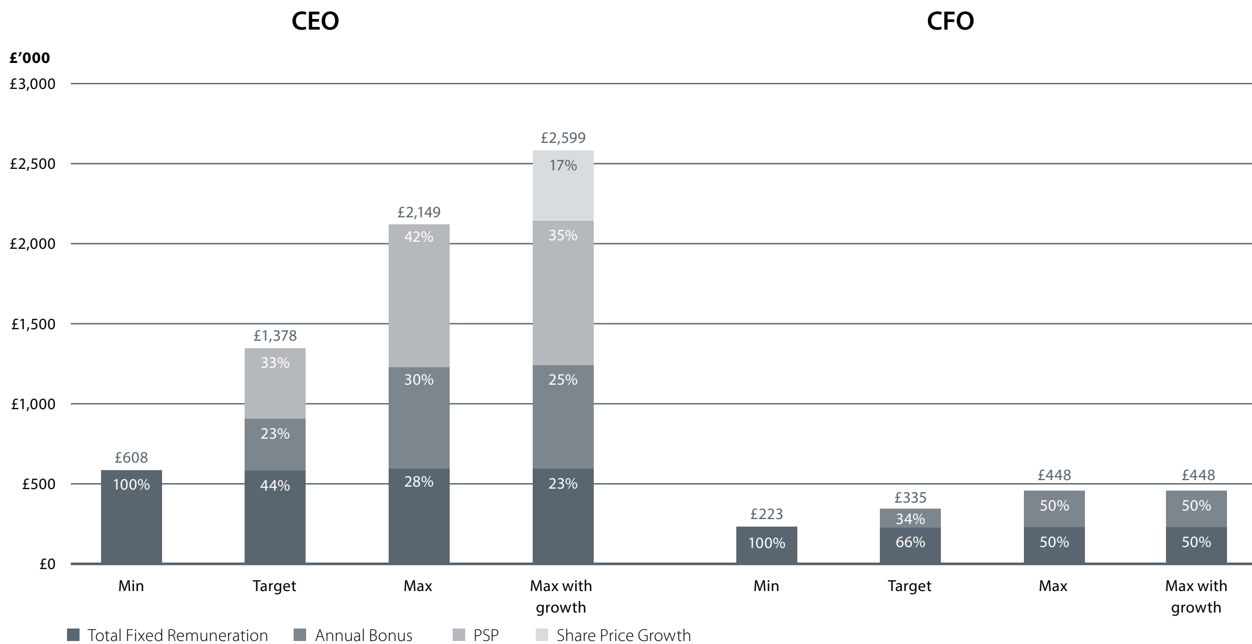
Element of Remuneration	Purpose and Link to Strategy	Operation	Maximum Potential Value	Performance Targets
Annual Bonus	Rewards the achievement of annual financial and business targets aligned with the Group's KPIs. Maximum bonus only payable for achieving demanding targets. Deferred element encourages long-term shareholdings and discourages excessive risk taking.	Bonus is based on performance in the relevant financial year. Any payment is discretionary and will be subject to the achievement of stretching performance targets. Bonus is normally paid in cash, except 25% of any bonus which is deferred into shares for two years. Bonuses are not contractual and are not eligible for inclusion in the calculation of pension arrangements. Recovery and withholding provisions apply in cases of misconduct, corporate failure, reputational damage, error in calculation of a bonus and material misstatement of financial results. Dividends or dividend equivalents may accrue on deferred shares.	Capped at 125% of salary.	The Committee sets performance measures and targets that are appropriately stretching each year, taking into account key strategic and financial priorities and ensuring there is an appropriate balance between incentivising Executive Directors to meet targets, while ensuring they do not drive unacceptable levels of risk or inappropriate behaviours. Financial measures will normally determine at least 75% of the bonus opportunity and the balance may be based on non-financial, strategic, personal and/or ESG-related objectives. A graduated scale of targets is normally set for each measure, with no pay-out for performance below a threshold level of performance. The Committee has discretion to amend the pay-out should any formulaic outcome not reflect the Committee's assessment of overall business performance.
Long Term Incentive Plan	Designed to align Executive Directors' interests with those of shareholders and to incentivise the delivery of sustainable earnings growth and superior shareholder returns.	Awards of conditional shares or nil cost option awards which normally vest after three years subject to the achievement of performance targets and continued service. An additional two-year holding period applies after the end of the three-year vesting period. Recovery and withholding provisions apply in cases of misconduct, corporate failure, reputational damage, error in calculation of award and material misstatement of financial results. Dividend equivalents may be paid for awards to the extent they vest. The Committee retains discretion to adjust vesting levels in exceptional circumstances, including but not limited to regard of the overall performance of the Company or the grantee's personal performance.	Executive Directors may receive an award of up to 175% of basic salary per annum. The Committee will consider the prevailing share price when deciding on the number of shares to be awarded as part of any LTIP grant. A 10% in 10 years' dilution limit governing the issue of new shares to satisfy all share scheme operated by the Company will apply.	Performance measures may include, and are not limited to, relative TSR, EPS, strategic measures and ESG-related objectives. The Committee retains discretion to set alternative weightings or performance measures for awards over the life of the policy. 100% of awards vest for stretch performance, up to 20% of an award vests for threshold performance and no awards vest below this. Underpins may apply.

Element of Remuneration	Purpose and Link to Strategy	Operation	Maximum Potential Value	Performance Targets
Share Ownership Guidelines	To increase alignment between Executives and shareholders.	Executive Directors are required to retain at least 50% of their net of tax vested awards until the in-employment shareholding guideline is met. Nil cost options which have vested but are yet to be exercised and deferred bonus awards subject to a time condition only may be considered to count towards the in-employment shareholding on a notional post-tax basis.	Executive Directors are required to build up and maintain an in-employment shareholding worth 200% of salary (100% for other senior management). Executive Directors are normally required to hold shares at a level equal to the lower of their shareholding at cessation and 200% of salary for two years post-employment (excluding shares purchased with own funds and any shares from share plan awards made before the approval of this policy).	Not applicable.
Chair and Non-Executive Directors' fees and benefits	To provide compensation in line with the demands of the roles at a level that attracts high calibre individuals and reflects their experience and knowledge.	Fees are normally reviewed annually taking into account factors such as the time commitment and contribution of the role and market levels in companies of comparable size and complexity. The Chair is paid an all-inclusive fee for all Board responsibilities. Fees for the other Non-Executive Directors may include a base fee and additional fees for further responsibilities (for example, chair-ship of Board committees or holding the office of Senior Independent Director). The Company repays any reasonable expenses that a Non-Executive Director incurs in carrying out their duties as a Director, including travel, hospitality-related and other modest benefits and any tax liabilities thereon, if appropriate. If there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay extra fees on a pro-rata basis to recognise the additional workload.	No prescribed maximum fee or maximum fee increase. Increases will be informed by taking into account internal benchmarks such as the salary increase for the general workforce and will have due regard to the factors set out in the 'Operation' column of this table.	Not applicable.

Remuneration Report continued

Illustration of the application of the Policy

The balance between fixed and variable 'at risk' elements of remuneration changes with performance. Our policy results in a significant proportion of remuneration received by Executive Directors being dependent on performance. The charts below illustrate how the Policy would function for minimum, on target and maximum performance for each Executive Director in 2021/22.



Assumptions for the chart above

- Minimum: Comprises fixed pay made up of base salary levels (applying from 1 October 2021), the value of pension at 15% of annual basic salary and other benefits estimated at the value shown in the single total figure of remuneration table for 2021. For Nick Keveth, we have assumed a retirement date of 31 March 2022 (and therefore he will receive half of his annual base salary during the 2022 financial year).
- On-target: bonus achieved at 50% of the maximum opportunity, i.e. 62.5% of salary and with the on-target level of vesting under the LTIP taken to be 50% of the face value of the award at grant, i.e. 87.5% of salary. Nick Keveth will not receive an LTIP award in 2022 but he will be eligible for a pro rata bonus for the 2022 financial year.
- Maximum: full bonus achieved and LTIP vesting in full i.e. 125% of salary bonus payout (pro rated for Nick Keveth) and LTIP awards to the value of 175% of salary vesting for Paul McDonald only.
- Share price appreciation of 50% has been assumed for the LTIP awards under the final 'Max with growth' scenario.
- Amounts relating to all-employee share schemes have, for simplicity, been excluded from the charts.

Selection of performance measures and targets

Annual bonus

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

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

Long-Term Incentive Plan

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

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

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

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

Flexibility, discretion and judgement

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

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

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

Remuneration Report continued

Legacy arrangements

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

Approach to recruitment remuneration

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

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

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

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

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

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

Executive Directors

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

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

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

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

A pro-rated bonus may be paid subject to performance, for the period of active service only. Outstanding share awards may vest in accordance with the provisions of the various scheme rules. Under the Deferred Bonus Plan, the default treatment is that any outstanding awards will continue on the normal timetable, save for forfeiture for serious misconduct. Clawback and malus provisions will also apply. On a change of control, awards will generally vest on the date of a change of control, unless the Committee permits (or requires) awards to roll over into equivalent shares in the acquirer.

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

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

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

Chair and Non-Executive Directors

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

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

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

External appointments

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

Consideration of shareholder views

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

In its review of current remuneration and the proposed Policy being put forward, the Committee conducted a comprehensive consultation exercise which elicited feedback from shareholders holding over 65% of shares in issue, as well as from the main shareholder representative bodies. The Committee was very grateful for the views received. The feedback, which was largely positive, was used constructively to shape our final proposals. Further details regarding the consultation exercise can be found in the Annual Statement on page 76.

Consideration of employment conditions elsewhere in the Group

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

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

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

As for the Executive Directors, general practice across the Group is to recruit employees at competitive market levels of remuneration, incentives and benefits to attract and retain employees, accounting for national and regional talent pools. When considering salary increases for Directors, the Committee will take into account salary increases and pay and employment conditions across the wider workforce. The pension contribution for future Executive Director appointments will be consistent with that for the general workforce and under the Policy the contributions for the current CEO and CFO will transition to the workforce level by 1 October 2023. All employees are able to earn annual bonuses for delivering exceptional performance, with corporate performance measures aligned to those set for the Executive Directors. All employees, including the Executive Directors, have the opportunity to participate in the tax-approved share incentive plans.

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

Remuneration Report continued

ANNUAL REPORT ON REMUNERATION

Role and composition of the Remuneration Committee

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

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

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

The Committee currently comprises Chloe Ponsonby (Chair), Bruce Thompson, Bindi Foyle and Victor Chavez (who joined on 1 December 2020). Pim Vervaat and David Evans were members of the Committee during the year until they stepped down from the Board on 29 January 2021 and 2 December 2020 respectively. By invitation of the Committee, meetings are also attended by the CEO, CFO and the Company Secretary (who acts as secretary to the Committee), who are consulted on matters discussed by the Committee, unless those matters relate to their own remuneration. Advice or information is also sought directly from other employees where the Committee feels that such additional contributions will assist the decision-making process.

The Committee is authorised to take such internal and external advice as it considers appropriate in connection with carrying out its duties, including the appointment of its own external remuneration advisers. During the year, the Committee was assisted in its work by FIT Remuneration Consultants LLP. FIT was appointed in December 2019 and has provided advice in relation to general remuneration matters and the review of the remuneration policy. Fees paid to FIT in relation to advice provided to the Committee during the year to 30 September 2021 were £67,032 (excluding VAT), charged on a time/cost basis. FIT also provided advice to the Company on technical share plan implementations matters but other than this did not provide any other services to the Company. FIT is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the U.K. The Committee is satisfied that the advice they received from FIT was objective and independent.

The Committee addressed the following main topics during the last year:

- Concluded the comprehensive review of Executive Directors' remuneration which culminated in the preparation of a revised remuneration policy that was approved by shareholders at the 2021 AGM
- Following the AGM, engaged with and sought the views of major shareholders to understand the reasons behind their AGM votes
- Reviewed guidance from investor bodies and institutional shareholders
- Reviewed and approved the remuneration packages for our current Executive Directors
- Approved the annual bonus outcomes to the Executive Directors in November 2020 and the annual bonus plan for the 2021 financial year
- Reviewed and confirmed the vesting of the LTIP awards granted in December 2017
- Reviewed and approved the terms of the 2021 LTIP awards and monitored the performance of the outstanding awards against their performance targets

Since the end of the 2021 financial year, the Committee has:

- Approved annual bonus outcomes to the Executive Directors and the Group Executive management team, following completion of the external audit in December 2021 and undertaken a final assessment of the TSR and EPS performance conditions attached to the March 2019 LTIP awards (based on performance to 30 September 2021)
- Made preparations for the vesting of the LTIP awards granted in March 2019
- Agreed the annual bonus structure for the year ending 30 September 2022

The information that follows has been audited (where indicated) by the Company's auditors KPMG LLP.

Single total figure of remuneration for Directors for the year ended 30 September 2021 (audited)

Directors' remuneration for the year ended 30 September 2021 was as follows:

	Year	Basic salary & fees £'000	Pension/other supplements[2] £'000	Other benefits[3] £'000	Fixed remuneration sub-total £'000	Annual bonus £'000	LTIP[1] £'000	Variable remuneration sub-total £'000	Total Remuneration £'000
Executive Directors									
Paul McDonald	2021	500	75	16	591	–	435	435	1,026
	2020	410	62	17	489	269	928	1,197	1,686
Nick Keveth	2021	350	51	16	417	–	301	301	718
	2020	285	43	16	344	187	712	899	1,243
Non-Executive Directors									
Bruce Thompson[4]	2021	154	–	–	154	–	–	–	154
	2020	24	–	–	24	–	–	–	24
Chloe Ponsonby	2021	67	–	–	67	–	–	–	67
	2020	56	–	–	56	–	–	–	56
Bindi Foyle[5]	2021	57	–	–	57	–	–	–	57
	2020	17	–	–	17	–	–	–	17
Victor Chavez[6]	2021	42	–	–	42	–	–	–	42
	2020	–	–	–	–	–	–	–	–
Pim Vervaat[7]	2021	23	–	–	23	–	–	–	23
	2020	56	–	–	56	–	–	–	56
David Evans[7]	2021	24	–	–	24	–	–	–	24
	2020	140	–	–	140	–	–	–	140

Note to total figure of remuneration table

1 The LTIP amount for 2021 relates to the long-term incentive award granted in March 2019 for which the outcome was based on performance over the three-year period to 30 September 2021. For the purposes of this table and in line with disclosure requirements, the 2021 LTIP values have been calculated using an average share price over the three-month period from 1 July 2021 to 30 September 2021 of £22.53. This is higher than the share price at the time these awards were made to participants and accordingly around 45% of the value shown is attributable to share price appreciation (£194k for Paul McDonald and £134k for Nick Keveth). The LTIP amounts for 2020 relate to the long-term incentive award which was granted in December 2017. These 2020 figures have been updated from the figures shown in last year's table to reflect the actual value of vested shares using the share price at the vesting date (£35.02) (rather than the estimated value provided last year). This is also in line with disclosure requirements.

2 Paul McDonald is a member of the Group's money purchase scheme and part of his pension contribution is paid into the pension scheme (2021: £6k) with the remainder paid as a salary supplement (2021: £69k). Paul's 2020 figure has been re-stated to include £10k contribution made to money purchase scheme. Nick Keveth's contribution is paid entirely as a salary supplement (2021: £51k).

3 Benefits for 2021 include a car allowance, the cost of private health insurance, critical illness cover and executive medical.

4 Bruce Thompson was appointed to the Board as Non-Executive Director on 1 March 2020 and appointed as Chair on 2 December 2020.

5 Bindi Foyle was appointed to the Board as Non-Executive Director with effect from 1 May 2020 and took over as Chair of the Audit Committee on 29 January 2021.

6 Victor Chavez was appointed to the Board as Non-Executive Director with effect from 1 December 2020.

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

Remuneration Report continued

Annual bonus for the year ending 30 September 2021 (audited)

The annual bonus opportunity for Executive Directors for 2021 was 125% of salary and this was based on targets relating to Group revenue (20%), Group operating profit (40%) and Group cash conversion (20%) and the achievement of strategic objectives (20%).

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

	Threshold (0% payable)	Stretch (100% payable)	Actual/ Reported	% achievement	Bonus payable (% of salary)
Revenue (20%)	$264.0m	$320.0m	$248.3m	0.0%	0.0%
Adjusted operating profit (40%)	$48.7m	$61.2m	$22.0m	0.0%	0.0%
Cash conversion (20%)	80.0%	100.0%	83.2%	16.0%	0.0%
Strategic objectives (20%)	Set out in more detail below			N/A	0.0%
				TOTAL	0.0%

However, while the threshold target under the cash conversion metric was exceeded and certain non-financial strategic objectives were achieved, the Executive Directors waived any bonus earned for the year reflecting the fact that the profit and revenue metrics were not met.

The strategic element of the bonus for 2021 were based on five broad categories with objectives assigned to each. The categories were:

- Develop communicate agreed ESG Policy, strategy and implementation plan
- Confirm longer term IT strategy and implement key FY2021 projects from three year delivery plan
- Develop HR strategic plan focusing on strengthening global HR resources, process and systems, talent management and diversity
- M&A implementation – complete transition plans for Ballistic Protection, Team Wendy and milkrite | InterPuls
- Product development – secure approvals necessary to deliver the projected Ballistic Protection revenues in the FY22 strategic plan

The objectives underpinned each category were likely to have been either met or partially achieved but the Executive Directors waived any bonus before a full assessment was undertaken.

Incentive awards vesting (audited)

Awards were granted on 20 March 2019 under the Performance Share Plan to the CEO and CFO and these are based on three-year performance targets. Half of the award is subject to a relative TSR condition (measuring performance against the constituents of the FTSE All-Share excluding investment trusts) and the other half subject to EPS growth targets.

The TSR measurement period ended on 30 September 2021. The Company's TSR over this period was confirmed as 67.7% which ranked the Company in the upper quartile of the peer group and therefore this part of the award will vest in full. The Company delivered an EPS of 60.6c, which was below the threshold growth target of 5%p.a. Therefore this element of the award will lapse. Overall, 50% of the award will vest being awards over 19,299 shares for Paul McDonald and 13,361 shares for Nick Keveth.

As these awards will vest after this report is signed off, the values of these awards as shown in the single figure table are based on an average share price over the last quarter of the financial year ending 30 September 2021.

While the Company's performance was below expectations in 2021, the Committee considered that the overall share price performance of the Company over the three year performance period justified this level of vesting. The Committee did not consider it necessary to apply any discretion to adjust the outcome for these awards based on performance to 30 September 2021.

LTIP awards granted in the 2020/21 year (audited)

The table below provides details of share awards made to Executive Directors on 2 February 2021:

	Type of Award	Basis of Award	Number of Shares under Award[1]	Face value of award (£'000)	% vesting at threshold	End of performance period
Paul McDonald	Nil cost option	175% of salary	28,153	£875	20%	30 September 2023
Nick Keveth	Nil cost option	175% of salary	19,707	£612	20%	30 September 2023

1 The number of awards was based on a share price of £31.08 which was the Company's five-day average share price over 26 January 2021 to 1 February 2021.

The performance conditions for this award will be measured over a three-year performance period and are as follows:

- The first performance condition for 50% of the award compares the Company's total shareholder return (TSR) performance over the performance period relative to a comparator group. The comparator group for the TSR element is the constituents of the FTSE 250 Index (excluding investment trusts) as at the start of the performance period. No portion of the TSR element may vest unless the Company's TSR performance over the performance period at least equals the median TSR performance within the comparator group, for which 20% of the TSR element may vest, rising on a straight-line basis to full vesting of the TSR element for upper quintile or better relative TSR performance.
- The second performance condition for the other 50% of the award measures the Company's compound annual growth rate (CAGR) in the Company's adjusted basic earnings per share (EPS) over the performance period. No portion of the EPS element may vest unless the CAGR in EPS over the performance period at least equals 5%p.a., for which 0% of the EPS element may vest, rising on a straight-line basis to full vesting of the EPS element for CAGR in EPS over the performance period of 14%p.a. or better. The base point for such CAGR calculation is the reported EPS for the 2020 financial year but with the full year 2020 earnings of the disposed milkrite | InterPuls business added back – the base year EPS was 134.3 cents.

The EPS element of the awards is subject to a return on capital employed underpin in respect of which the Remuneration Committee retains discretion to reduce the extent of vesting of the EPS element by regard to the Company's ROCE performance over the performance period.

The Remuneration Committee also retains a general discretion to reduce the extent of vesting of the awards generally if it considers that the underlying business performance of the Company does not justify vesting.

Directors' shareholdings and share interests and position under shareholding guidelines (audited)

Beneficial interests of Directors, their families and trusts in ordinary shares of the Company at 30 September 2021 were:

	No. of Shares owned outright (including connected persons)	Unvested shares subject to performance conditions[3]	Shareholding as a % of salary as 30 September 2021	Shareholding guidelines (200% of salary) met?
Paul McDonald	50,999[1]	98,486	198%	No
Nick Keveth	20,509[2]	68,488	114%	No
Bruce Thompson	11,000	–	N/A	N/A
Chloe Ponsonby	4,550	–	N/A	N/A
Bindi Foyle	500	–	N/A	N/A
Victor Chavez	1,015	–	N/A	N/A

1 This figures includes 2,283 deferred bonus shares.

2 This figure includes 1,583 deferred bonus shares and 462 SIP shares.

3 Unvested LTIP shares.

The only change in the interests set out above between 30 September 2021 and 14 December 2021 were the additional 30 shares purchased by Nick Keveth under the Share Incentive Plan, which increased his total shareholding to 20,539.

Remuneration Report continued

Outstanding LTIP awards (audited)

Outstanding awards are as follows:

	Award Date	Award held at 1 October 2020	Granted in the year	Vested in the year	Lapsed in the year	Outstanding awards at 30 September 2021
Paul McDonald	02.02.21	–	28,153	–	–	28,153
	17.03.20	31,734	–	–	–	31,734
	20.03.19	38,599	–	–	–	38,599
	06.12.17	26,511	–	26,511	–	–
	02.02.21	–	19,707	–	–	19,707
Nick Keveth	17.03.20	22,059	–	–	–	22,059
	20.03.19	26,722	–	–	–	26,722
	06.12.17	20,325	–	20,325	–	–

The outstanding awards are subject to two performance criteria. Half the awards are subject to a relative TSR measure and the other half are subject to an EPS growth condition.

Total Directors' remuneration for the year ended 30 September 2021 under Schedule 5 (audited)

	2021	2020
Aggregate remuneration	1,369	1,582
Aggregate gains on the exercise of share options[1]	1,640	273
Aggregate contribution to defined contribution pension scheme	6	10

1 The LTIP amounts shown at the actual value of vested shares using the share price at the vesting date in 2021 and 2020.

During the year pension contributions were paid to defined contribution schemes for one Director (2020: one).

Dilution

The Company reviews the awards of shares made under the all employee and executive share plans in terms of their effect on dilution limits in any rolling 10-year period. In respect of the 5% and 10% limits recommended by the Investment Association, the relevant percentages were 8.3% and 8.3% respectively based on the issued share capital at 30 September 2021.

It remains the Company's practice to use an Employee Share Ownership Trust (ESOT) in order to meet its liability for shares awarded under the LTIP. Two trusts have been established in connection with this. At 30 September 2021 there were 334,933 shares held in the ESOTs which will either be used to satisfy awards granted under the LTIP to date, or in connection with future awards. A hedging committee ensures that the ESOTs hold sufficient shares to satisfy existing and future awards made under the LTIP by buying shares in the market or causing the Company to issue new shares. Shares held in the ESOTs do not receive dividends.

As at 30 September 2021, the market price of Avon Protection plc shares was £19.42 (2020: £42.50). During the year the highest and lowest market prices were £46.25 and £17.63 respectively.

Share Incentive Plan

The Company currently operates the Avon Rubber p.l.c. Share Incentive Plan (the 'SIP'), approved by shareholders at the AGM in February 2012. All U.K. tax resident employees of the Company and its subsidiaries are entitled to participate. Under the SIP, participants purchase shares in the Company monthly using deductions from their pre-tax pay. Paul McDonald is not a member of the SIP. Nick Keveth is a member and as at 30 September 2021 had purchased 470 shares through this scheme. The maximum contribution each month under the SIP is currently £150, a sum which is set by the Government. Nick Keveth has participated in the SIP at the maximum level since July 2017.

Payments to past Directors and payments for loss of office (audited)

There were no payments for loss of office or to past Directors during the year. As mentioned in the Annual Statement, during the year we announced that Nick Keveth will retire by 31 March 2022. Nick will be treated as a good leaver for incentive scheme purposes.

Service contracts and letters of appointment

The table below summarises key details in respect of each Executive Director's contract.

	Contract date	Company notice period	Executive notice period
Paul McDonald	14 February 2017	12 months	12 months
Nick Keveth	9 May 2017	12 months	12 months

The date of each Non-Executive appointment is set out below, together with the date of their last re-election by shareholders.

	Date of initial appointment	Date of last re-election
Chloe Ponsonby	1 March 2016	29 January 2021
Bruce Thompson	1 March 2020	29 January 2021
Bindi Foyle	1 May 2020	29 January 2021
Victor Chavez CBE	1 December 2020	29 January 2021

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

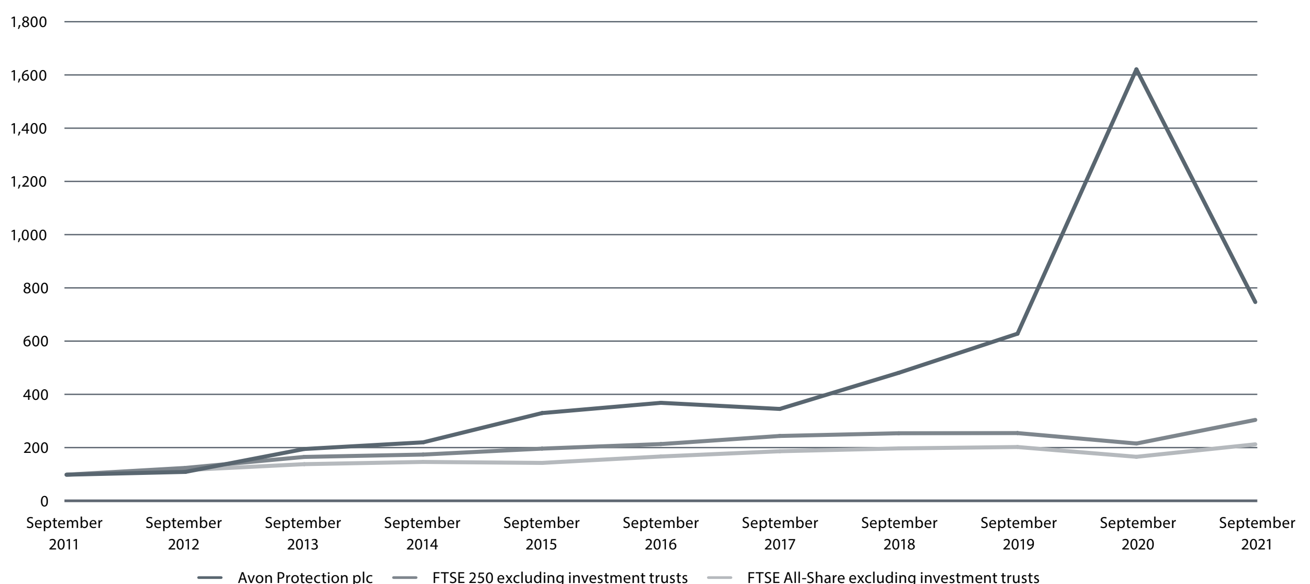
Other appointments

Neither Paul McDonald nor Nick Keveth are currently appointed as a Non-Executive Director of any company outside the Group.

Total shareholder return performance graph

The following graph illustrates the total return, in terms of share price growth and dividends on a notional investment of £100 in the Company over the last 10 years relative to the FTSE 250 Index (excluding investment trusts) and the FTSE All-Share Index (excluding investment trusts). These indices were chosen by the Remuneration Committee as a competitive indicator of general U.K. market performance for companies of a similar size.

Total shareholder return performance graph



Remuneration Report continued

Chief Executive Officer's remuneration

The total remuneration figures, including annual bonus and vested LTIP awards (shown as a percentage of the maximum that could have been achieved) for the Chief Executive Officer for each of the last 10 financial years are shown in the table below.

Peter Slabbert retired on 30 September 2015. Rob Rennie stood down from the Board and was replaced by Paul McDonald on 15 February 2017.

Year	CEO	CEO single figure of total remuneration £'000	Annual bonus pay out against maximum opportunity	Long-term incentive vesting rates
2021	Paul McDonald	1,026	0%	50%
2020	Paul McDonald	1,686	66%	100%
2019	Paul McDonald	928	55%	80%
2018	Paul McDonald	734	80%	84%
2017	Paul McDonald[1]	663	81%	99%
2017	Rob Rennie	213	57%	–
2016	Rob Rennie	484	52%	–
2015	Peter Slabbert	1,676	91%	100%
2014	Peter Slabbert	1,529	91%	96%
2013	Peter Slabbert	1,269	86%	100%
2012	Peter Slabbert	1,244	40%	100%

1 Includes remuneration received in the period prior to his appointment as Director during the year.

Percentage change in remuneration of Directors compared with other employees

The following table shows the percentage change in each Executive and Non-Executive Directors' remuneration compared with the average change for all employees of the Company for the year ended 30 September 2021. The prior year change is also shown and this will build up over time to cover a rolling five year period.

	Salary/Fee		Pension and other benefits		Annual Bonus	
	2021	2020	2021	2020	2021	2020
Paul McDonald	22.0%	5.1%	15.2%	54.9%	(100.0%)	25.7%
Nick Keveth	22.8%	5.6%	13.6%	37.2%	(100.0%)	26.4%
Bruce Thompson[1]	541.7%	N/A	N/A	N/A	N/A	N/A
Chloe Ponsonby[2]	19.6%	8.8%	N/A	N/A	N/A	N/A
Bindi Foyle[3]	235.3%	N/A	N/A	N/A	N/A	N/A
Victor Chavez[4]	N/A	N/A	N/A	N/A	N/A	N/A
Pim Vervaat	(58.9%)	0.0%	N/A	N/A	N/A	N/A
David Evans	(82.9%)	0.0%	N/A	(100.0%)	N/A	N/A
All employees[5]	4.7%	6.0%	6.8%	6.9%	(100.0%)	38.2%

1 Bruce Thompson was appointed to the Board as Non-Executive Director on 1 March 2020 and appointed as Chair on 2 December 2020.

2 The change in fee reflects Chloe Ponsonby's responsibility for workforce engagement. From 1 July 2021 the workforce engagement mechanism changed to an employee engagement forum and Chloe's additional fee for workforce engagement responsibilities ceased. Chloe Ponsonby was appointed Senior Independent Director with effect from 1 February 2021.

3 Bindi Foyle was appointed to the Board as Non-Executive Director with effect from 1 May 2020 and took over as Chair of the Audit Committee on 29 January 2021.

4 Victor Chavez was appointed to the Board with effect from 1 December 2020.

5 Paul McDonald and Nick Keveth are the only employees of the Parent Company, Avon Protection plc and therefore figures for all U.K. employees of the Group have instead been set out on a voluntary basis. To aid comparison, the group of employees selected are those full time U.K. employees who were employed over the complete two-year period.

CEO to employee pay ratio

The table below sets out the ratio between the total pay of the CEO and the total pay of the employees at the 25th, 50th (median) and 75th percentiles of the U.K. workforce.

Year	Method	25th percentile	Median	75th Percentile
2021	A	43:1	34:1	24:1
2020*	A	72:1	60:1	37:1

* The 2020 figure has been updated from the figure shown last year to reflect the actual value of vested shares, rather than the estimated value used to calculate the figures last year.

The 25th, 50th and 75th percentile ranked individuals have been identified using Option A in accordance with the reporting regulations, selected on the basis that this provides the most robust and statistically accurate means of identifying the relevant employees. The day by reference to which the 25th, 50th and 75th percentile employees were determined was 30 September 2021. The CEO pay figure is the total remuneration figure as set out in the single figure table and equivalent figures (on a full-time equivalent basis) have been calculated for the relevant 25th, 50th and 75th percentile employees. The lower rate in 2021 reflects the reduced incentive payments for the year ending 30 September 2025.

The total pay and benefits figures used to calculate the ratios for each of the 25th percentile, median and 75th percentile employees are set out below:

Year	25th percentile	Median	75th Percentile
2021	£23,987	£29,975	£43,262

The salary element for each of these figures is set out below:

Year	25th percentile	Median	75th Percentile
2021	£22,909	£28,500	£41,000

The Committee is satisfied that CEO remuneration is reasonable and consistent with Company's wider policies on employee pay, reward and progression, see page 85 for further details.

Relative importance of spend on pay

The following table shows the change in Group expenditure between the current and previous financial periods on remuneration and associated costs paid to all employees globally, set against distributions to shareholders and other uses of profit or cash flow being profits retained within the business, investments in research and development and other capital expenditure.

	2021 ($m)	2020 ($m)	% change
Overall expenditure on pay (note 6.1)	78.0	84.9	(8.1%)
Dividends	12.1	8.9	36.0%
(Loss)/profit retained	(37.7)	162.5	(123.2%)
R&D expenditure (including capitalised development costs)	19.1	11.8	61.9%
Other capital expenditure (excluding capitalised development costs)	16.6	13.1	26.7%

Implementation of policy for the year ending 30 September 2022

Basic salary

Paul McDonald's base salary will be £513,750 and Nick Keveth's shall be £359,625, with the increases in line with the average employee increase of 2.75%.

	2021	2022
Paul McDonald	£500,000	£513,750
Nick Keveth	£350,000	£359,625

Non-Executive Director fees

The supplementary Employee Engagement Director fee will no longer apply following a change to the workforce engagement mechanism as described earlier in this report. There are no other changes to Non-Executive Director fees.

	2021	2022
Chair	£175,000	£175,000
Non-Executive Director	£50,000	£50,000
Committee Chair	£10,000	£10,000
Senior Independent Director	£10,000*	£10,000*
Employee Engagement Director	£5,000	–

* There is a maximum additional fee of £15,000 if the SID also chairs a committee.

Benefits

Benefits remain unchanged and will include a car allowance, the cost of private health insurance, life insurance, critical illness insurance and executive medical.

Remuneration Report continued

Pension

The Executive Directors receive a contribution towards pension of 15% of basic salary, paid either as a non-pensionable salary supplement or delivered through the Group's money purchase scheme. Under the policy approved last year, the intention was for the current contribution rates for the incumbents to be reduced to the U.K. workforce rate of 7.5% of salary from 1 October 2023. Reflecting on feedback received from shareholders, Paul McDonald has voluntarily pledged to reduce his pension contribution rate from 15% to 7.5% from the time a new CFO is recruited, expected to be during FY22. The contribution rate for any new Executive Director appointment including a new CFO, will be limited to the workforce rate.

Annual bonus

For the year ending 30 September 2022, the maximum opportunity under the annual bonus plan will be 125% of base salary for both Executive Directors. 25% of the total bonus payment will be deferred into shares for two years.

Bonuses will be based on Group Revenue (20%), Group Operating Profit (40%), Cash Conversion (20%) and the achievement of strategic objectives (20%).

The Committee will set the bonus targets in the New Year following the strategic review of the armor business. Retrospective disclosure of the targets and performance against them will be made in next year's Annual Report on Remuneration to the extent the targets are not commercially sensitive at that time.

2022 LTIP awards

The Committee expects to make LTIP awards to senior executives in 2022. Due to the strategic review of the armor business announced on 12 November 2021, the exact terms of the award are yet to be determined. Full details of the award terms, including the performance criteria, will be set out in the stock exchange announcement at the time of grant.

Statement of shareholder voting on the remuneration report

The shareholder vote on the Remuneration Report for the year ended 30 September 2020 at the AGM which took place on 30 January 2021 was as follows:

Resolution	Votes for (including discretionary)	% for	Votes against (excluding withheld)	% against	Total (excluding withheld and third party discretionary	Withheld
Approval of the Directors' Remuneration Policy	20,985,904	87.69%	2,946,955	12.31%	23,932,859	2,684
Approval of the Directors' Remuneration Report	16,787,428	76.30%	5,215,543	23.70%	22,002,971	1,932,572

In advance of last year's AGM, we undertook a comprehensive review of our Policy which included a wide-reaching consultation exercise. While the Policy received 87.7% support, the Committee is aware that Resolution 2 to approve the Directors' Remuneration Report received votes against from 23.7% of the votes cast.

As a result, the Company sought to engage with all those major shareholders who voted against the resolution to better understand their reasons for doing so. Amongst the shareholders who engaged with us it appears there were two main reasons which explained their decision to vote against. The first was due to the size of the salary increases applied to the Executive Directors for FY2021 (including the fact that they were not phased over more than one year) and the second was in relation to the timing of the Executive Directors' pension reductions, where contribution rates are reducing to the workforce level from 1 October 2023 and not from 1 January 2023.

The Committee understands the general sentiment towards increases to senior executives' salaries but remains comfortable that the revised salaries were not excessive and that the previous salaries were very modest. However, the Committee will consider the feedback received when reviewing salaries over the life of the current policy.

In addition, the Committee is supportive generally of the drive to align Executive Directors' pension contributions with those of the workforce, as evidenced by the commitment to doing so within the new remuneration policy. The timescale within which the transition to the workforce level will take place was considered carefully in the round alongside the other various changes to the policy we were seeking approval for. While the Committee concluded that achieving alignment over the life of the policy was a fair approach, Paul McDonald has volunteered to reduce his pension to the workforce rate from the time a new CFO joins the Board.

The Remuneration Committee would like to thank the shareholders that took part in the engagement process and values the feedback and insights it has gained. It remains committed to engaging proactively with shareholders and advisory bodies on remuneration matters.

This Remuneration Report has been approved by the Board of Directors and signed on its behalf by:

Chloe Ponsonby
Chair of Remuneration Committee

14 December 2021

Directors' Report

The Directors submit the Annual Report and audited financial statements of Avon Protection plc ('the Company') and the Avon Protection group of companies, ('the Group') for the year ended 30 September 2021. The Company is a public limited company incorporated and domiciled in England and Wales with company registration number 32965. The Company's subsidiary undertakings, including those located outside the U.K., are listed in note 7.4 of the financial statements. The Company changed its name from Avon Rubber p.l.c. on 12 July 2021.

Strategic Report

The Strategic Report, which contains a review of the Group's business (including by reference to key performance indicators), a description of the principal risks and uncertainties facing the Group, and commentary on likely future developments is set out on pages 16 to 59 and is incorporated into this Directors' Report by reference.

Financial results and dividend

The Group statutory loss for the year after taxation amounts to $25.6 million (2020: restated profit $171.4 million). Full details are set out in the Consolidated Statement of Comprehensive Income on page 119.

An interim dividend of 14.3 U.S. cents per share (converted to 10.34p) was paid in respect of the year ended 30 September 2021 (2020: 9.02p).

The Directors recommend a final dividend of 30.6 U.S. cents per share, which will be converted into GBP prior to payment to shareholders (2020: 18.06p) resulting in a total dividend distribution per share for the year to 30 September 2021 of 44.9 U.S. cents per share (2020: 27.08p).

Share capital

The Company only has one class of share capital, which comprises ordinary shares of £1 each. As at 14 December 2021 the Company has 31,023,292 shares in issue and no shares were issued during the year. All shares forming part of the ordinary share capital have the same rights and carry one vote each. There are no unusual restrictions on the transfer of a share. Further details of the shares in issue during the financial year are set out in note 5.5 of the financial statements.

The full rights and obligations attaching to the Company's shares as well as the powers of Directors are set out in the Company's Articles of Association ('the Articles'), copies of which can be obtained from Companies House or by writing to the Company Secretary. Shareholders are entitled to receive the Company's reports and accounts, to attend and speak at general meetings, to exercise voting rights in person or by appointing a proxy and to receive a dividend where declared or paid out of profits available for that purpose. There are no restrictions on the transfer of issued shares or on the exercise of voting rights attached to them, except where the Company has suspended their voting rights or prohibited their transfer following a failure to respond to a notice to shareholders under section 793 of the Companies Act 2006, or where the holder is precluded from transferring or voting by the Financial Services Authority's Listing Rules or the City Code on Takeovers and Mergers.

The 334,933 shares held in the names of the two Employee Share Ownership Trusts are held as a hedge against awards previously made or to be made pursuant to the Long-Term Incentive Plan are held on terms which provide voting rights to the Trustee. During the year the trust acquired 95,855 shares at a cost of £3,099,869.

The Company is not aware of any agreements between its shareholders which may restrict the transfer of their shares or the exercise of their voting rights. The only exception to this being that the Trustees of the two Employee Share Ownership Trusts have waived their rights to dividends.

At the Company's last AGM held on 29 January 2021, shareholders authorised the Company to make market purchases of up to 3,102,329 of the Company's issued ordinary shares. No shares were purchased under this authority during the year. A resolution will be put to shareholders at the forthcoming AGM to renew this authority.

The Directors require authority to allot unissued share capital of the Company and to disapply shareholders' statutory pre-emption rights. Such authorities were granted at the 2020 AGM and resolutions to renew these authorities will be proposed at the 2021 AGM, see explanatory notes on pages 171 to 173. No shares were allotted under this authority during the year.

Substantial shareholdings

As at 30 September 2021 the following shareholders held 3% or more of the Company's issued share capital

Fidelity Management & Research Company (FMR)	8.24%
Capital Research and Management Company	6.69%
Franklin Templeton Fund Management Ltd	6.62%
Kempen Capital Management	5.88%
BlackRock Investment Management	4.82%
Vanguard Group Inc	3.45%
Schroder Investment Management	3.39%
Hargreaves Lansdown Stockbrokers	3.14%
Wasatch Advisors Inc	3.11%

Significant agreements – change of control

The only significant agreements to which the Company is a party which take effect, alter or terminate upon a change of control of the Company following a takeover bid are the Company's:

- revolving credit facility agreement
- Long-Term Incentive Plan ('the Plan')

The unsecured revolving credit facility of $200 million provided by Barclays Bank PLC, Comerica Bank Inc., Fifth Third Bank NA, National Westminster Bank plc, CIC and Bank of Ireland contains a provision which, in the event of a change of control of the Company, gives each lending bank the right to cancel its commitments to the Company and to declare all the outstanding amounts and accrued interest owed to such lending bank immediately due and payable. If a lending bank does not exercise this right within 15 business days of being notified of the change of control, it shall not be able to cancel its commitments or require repayment of its share of the amounts outstanding under the facility in respect of such change of control.

A change of control will be deemed to have occurred if any person or group of persons acting in concert (as defined in the City Code on Takeovers and Mergers) gains direct or indirect control of the Company.

Under the rules of the Plan, on a takeover a proportion of each outstanding grant will vest. The number of shares that vest is to be determined by the Remuneration Committee, including by reference to the extent to which the performance condition has been satisfied and the number of months that have passed since the award was made.

It is also possible that the trustee of the pension plan would seek to review the current funding arrangements and deficit recovery plan as part of or following a change of control, particularly if that resulted in a weakening of the employer covenant.

The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a change of control, except in relation to the Long Term Incentive Plan as described above.

Directors

The current Directors as at 14 December 2021 and their biographies are shown on pages 62 and 63. David Evans and Pim Vervaat stepped down from the Board on 2 December 2020 and 29 January 2021 respectively. Victor Chavez CBE was appointed as an Independent Non-Executive Director and member of the Audit, Nomination and Remuneration Committees on 1 December 2020.

As announced on 25 May 2021, after what will be five years, Nick Keveth will retire from the Board on or before the end of March 2022.

According to the Articles of Association, all Directors are subject to election by shareholders at the first AGM following their appointment, and to re-election thereafter at intervals of no more than three years. In line with best practice reflected in the U.K. Corporate Governance Code, all current Directors will be standing for reappointment at the forthcoming AGM to be held on 28 January 2022.

The remuneration of the Directors including their respective shareholdings in the Company is set out in the Remuneration Report on pages 75 to 95.

The Company's rules about the appointment and replacement of Directors, together with the powers of Directors, are contained in the Articles. Changes to the Articles must be approved by special resolution of the shareholders.

Directors' and Officers' indemnity insurance

In accordance with the Company's Articles and subject to the provisions of the Companies Act 2006 ('the Act'), the Company maintains, at its expense, Director's and Officer's insurance to provide cover in respect of legal action against its Directors. This was in force throughout the financial year and remains in force as at the date of this report.

The Company's Articles allow the Company to provide the Directors with funds to cover the costs incurred in defending legal proceedings. The Company is therefore treated as providing an indemnity for its Directors and Company Secretary which is a qualifying third-party indemnity provision for the purposes of the Act.

Conflicts of interest

During the year no Director held any beneficial interest in any contract significant to the Company's business, other than a contract of employment. The Company has procedures set out in the Articles for managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Group, they are required to notify the Board as soon as reasonably practicable.

Research and development

The Group continues to utilise its technical and materials expertise to remain at the forefront of innovative technology and produce specialist products and services to maximise the performance and capabilities of its customers. The Group maintains its links to key universities in the U.S. and U.K. and continues to work with new and existing customers and suppliers to develop its knowledge and product range. Total Group expenditure on research and development in the year was $19.1 million (2020: $11.8 million), further details of which are contained in the Strategic Report on page 46.

Corporate governance

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 64 to 67. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by cross-reference.

Stakeholder engagement

The Board factors stakeholder opinions and feedback into their decisions to ensure the impact on key stakeholders' needs and concerns are considered. More information on how the Board engages with stakeholders can be found in the section 172 on pages 58 and 59.

Directors' Report continued

Employee share schemes and plans

The Group encourages its employees to share in the future success of the Group and operates three share based incentive plans. The Avon Rubber Share Incentive Plan (SIP) is open to all eligible U.K. employees. Under the SIP participants are able to purchase shares in the Company monthly using deductions from their pre-tax pay. The Avon Rubber Employee Stock Purchase Plan (ESPP) is open to all eligible U.S. employees. Under the ESPP, participants are able to purchase shares in the Company at a discounted rate from payroll deductions. The Avon Rubber Long Term Incentive Plan (LTIP) is designed to align Executive Directors' and senior employees' interests with those of shareholders and to incentivise the delivery of sustainable earnings growth and superior shareholder returns. Discretionary awards are granted under the LTIP over a fixed number of shares by reference to salary, with awards ordinarily vesting, subject to meeting performance criteria, on the third anniversary of the grant date.

Environmental and corporate social responsibility

Matters relating to Environmental and Corporate Social Responsibility including reference to our policy on diversity are set out in the new Sustainability Report on pages 30 to 37.

Greenhouse gas emissions

The disclosures concerning greenhouse gas emissions required by law are included in the new Sustainability Report on page 31.

Political and charitable contributions

No political contributions were made during the year or the prior year. Contributions for charitable purposes amounted to $45,132 (2020: $46,965) consisting exclusively of numerous small donations to various community charities in Wiltshire, Maryland, Michigan, New Hampshire, California, Ohio and Kentucky.

Policy on employee disability

Avon Protection provides support, training and development opportunities to all our employees irrespective of any disabilities they may have. We give full and fair consideration to disabled applicants, and where an existing employee becomes disabled during their employment, we will make every effort to enable them to continue their employment with Avon Protection in their original or an alternative role.

Financial instruments

An explanation of the Group policies on the use of financial instruments and financial risk management objectives are contained in note 5.4 of the financial statements.

Independent auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditor

KPMG LLP has expressed its willingness to continue in office as independent auditor and a resolution to re-appoint them and authorising the Board to agree their remuneration will be proposed at the AGM.

Annual General Meeting

The Company's AGM will be held at our Hampton Park West facility, Semington Road, Melksham, Wiltshire SN12 6NB on 28 January 2022 at 10.30am. Registration will be from 10.00am. The Notice of the AGM and an explanation of the resolutions to be put to the meeting are set out in the Notice of Meeting and can be found on pages 169 to 174.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the Parent Company financial statements in accordance with U.K. accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework. In addition the Group financial statements are required under the U.K. Disclosure Guidance and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ('IFRSs as adopted by the EU').

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ('IFRSs as adopted by the EU');
- for the Parent Company financial statements, state whether applicable U.K. accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006.

They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the U.K. governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the Directors, whose names and functions are listed on pages 62 and 63, confirms that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report/Directors' Report include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Directors' Report and responsibility statement was approved by the Board of Directors on 14 December 2021 and is signed on its behalf by:

Paul McDonald
Chief Executive Officer

14 December 2021

> We believe that Adjusted Performance Measures provide a useful comparison of business trends and performance.

ADJUSTED PERFORMANCE MEASURES

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.

Adjusted Performance Measures

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 (note 1)	22.0	(51.0)	(29.0)	38.5	(29.6)	8.9
Net finance costs (note 2)	(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 (note 3)	(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 (note 4)	–	–	–	–	160.7	160.7
Discontinued operations – (loss)/profit from discontinued operations (note 4)	–	(1.1)	(1.1)	–	6.9	6.9
(Loss)/profit for the year (note 5)	18.6	(44.2)	(25.6)	30.2	141.2	171.4
Basic (loss)/earnings per share	60.6c[6]	(144.1c)	(83.5c)	98.6c[6]	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 page 123 in accounting policies for further details.

1 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 page 123 in accounting policies for further details.

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

Amortisation of acquired intangibles

Amortisation charges for acquired intangible assets of $14.2 million (2020: $8.3 million) 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 $45.1 million in respect of assets relating to the armor business acquired from 3M as part of the ballistic protection acquisition. In addition, inventory provisions of $1.7 million were recognised against VTP ESAPI armor materials.

Offsetting these charges, a gain of $15.7 million was recognised to reduce the net present value of the contingent consideration payable to 3M as a result of the reduced revenue expectations from the DLA ESAPI body armor contract.

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.

Adjusted Performance Measures continued

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 $2.6 million (2020: $10.7 million) relating to the acquisition of Team Wendy and the 3M ballistic protection business.
- In 2020, the exceptional costs also included transition costs of $2.9 million in relation to the acquisition of the 3M ballistic protection business.
- Acquisition accounting adjustment of $2.4 million 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 $7.7 million. 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 $0.7 million (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.

2 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. dollar. See page 123 in accounting policies for further details.

- $1.3 million (2020: $1.0 million) unwind of discounting on the U.K. defined benefit pension scheme liability is treated as exceptional given the scheme relates to employees employed prior to 31 January 2003 and was closed to future accrual of benefits on 1 October 2009 (note 6.2).
- $2.2 million (2020: $2.9 million) unwind of discounting on contingent consideration relating to the acquisition of the 3M ballistic protection business.
- $0.4 million 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.

3 Adjustments to taxation

Adjustments to taxation represent the tax effects of the adjustments to operating profit and net finance costs. Adjusting items do not have significantly different effective tax rates, with the overall effective rate of 21% (2020: 22%) approximating statutory rates applicable.

4 (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 $1.1 million on these discontinued operations. The prior period contained a total profit from discontinued operations of $167.6 million, being the profit after tax of milkrite | InterPuls operations of $6.9 million and a post-tax gain on disposal of $160.7 million.

5 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 page 123 in accounting policies for further details.

6 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 $ cents restated[1]
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 page 123 in accounting policies 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 page 123 in accounting policies 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 page 123 in accounting policies for further details.

Adjusted Performance Measures continued

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 page 123 in accounting policies 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 $167.6 million 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 page 123 in accounting policies 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 (page 73). The corrections reduce the 2020 ROCE to 22.3% from the previously reported 22.7%.

AVON
PROTECTION

> "We have continued to see good commercial momentum in 2021. However, the results for the year have been impacted by delays in the body armor contracts."

FINANCIAL STATEMENTS

110 Independent Auditor's Report
119 Consolidated Statement of Comprehensive Income
120 Consolidated Balance Sheet
121 Consolidated Cash Flow Statement
122 Consolidated Statement of Changes in Equity
123 Accounting Policies and Critical Accounting Judgements
130 Notes to the Group Financial Statements
160 Parent Company Balance Sheet
161 Parent Company Statement of Changes in Equity
162 Parent Company Accounting Policies
165 Notes to the Parent Company Financial Statements

General Information

169 Notice of Annual General Meeting
175 Glossary of Financial Terms and Abbreviations
176 Shareholder Information

Independent Auditor's Report

to the Members of Avon Protection plc

1. Our opinion is unmodified

We have audited the financial statements of Avon Protection plc ('the Company') for the year ended 30 September 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, and the Consolidated and Parent Company Statements of Changes in Equity, and the related notes, including the accounting policies sections in both the Group and Parent Company financial statements. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with U.K. accounting standards including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (U.K.) (ISAs (U.K.)) and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 1 February 2019. The period of total uninterrupted engagement is for the three financial years ended 30 September 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, U.K. ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	$1.5 million (2020: $1.8 million) 0.6% (2020: 0.8%) of revenue	
Coverage	100% (2020: 100%) of Group revenue	
Key audit matters	**2021 vs 2020**	
Recurring risks	Development costs excluding Armor business related costs	▲
Event driven	Impairment of Armor business assets	NEW
	Business combination accounting	▲
Parent Company	Recoverability of Parent Company's investment in subsidiaries	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Development costs excluding Armor business related costs Non-armor impairment charges of $0.3 million (2020: nil) (Armor business related development costs are covered in the 'Impairment of Armor business related assets' key audit matter) Risk vs 2020: ▲ Refer to page 72 (Audit Committee Report), page 125 and 129 (accounting policy) and pages 136 and 137 (financial disclosures).	**Subjective estimate:** • The estimated recoverable amount of these intangible assets is supported by forecasting and discounting future cash flows (based on assumptions such as discount rates and revenue growth rates), which are inherently highly judgemental. These uncertainties, combined with the quantum of the intangibles balance, means that the recoverable amount of development costs is subject to significant estimation uncertainty. • The critical issue is to establish whether there is sufficient demand for the products which generate these cash flows and whether the product will meet the requirements of the customer or required regulatory approval and the timing of this approval, which is inherently subjective as this involves an assessment of the probability of future outcomes. Uncertainties with key project approvals have increased the level of estimation uncertainty. • The effect of these matters is that, as part of our risk assessment, we determined that the estimated recoverable amount of these assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (page 137) disclose the sensitivity estimated by the Group.	**Our procedures included:** • **Historical comparison:** We assessed the accuracy of the Group's forecasting by comparing actual cash flows for products in the period to the prior period forecasts. • For a risk-based selection of products, our procedures included: – **Our sector knowledge:** We challenged the detailed forecasts which support the estimated recoverable amount by reference to discussions with operational management on the likelihood and timing of when new products are expected to receive customer or regulatory clearance as compared to what was assumed in the forecasts and the size of the potential market. – **Benchmarking assumptions:** We compared the Group's assumptions to externally derived data in relation to key inputs such as revenue growth rates and discount rates. – **Sensitivity analysis:** We performed sensitivity analysis to determine if reasonably possible changes in discount rates and growth rates would result in additional impairments being recognised. – **Assess transparency:** We assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflect the risks inherent in the estimation of the recoverable amount of the non-armor development costs. We performed the tests above rather than seeking to rely on any of the company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** • We found the development costs excluding Armor business related costs balance, and the related impairment charge to be acceptable (2020: we found the Group's conclusion that there was no impairment of the development costs excluding Armor business related costs balance to be acceptable).

Independent Auditor's Report continued

to the Members of Avon Protection plc

2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Impairment of Armor business assets Total Armor business related assets impairment charges and inventory impairment: $46.8 million (2020: nil) Risk vs 2020: New risk Refer to page 72 (Audit Committee Report), pages 125, 127, and 129 (accounting policy) and pages 136, 137, 138, and 140 (financial disclosures).	**Subjective estimate** On 12 November 2021 the Group announced a strategic review of the Armor business following the failure of the VTP ESAPI first article test and the delay in the DLA ESAPI first article test approval. The outcome of this review was a decision to instigate a orderly wind-down of the Armor business. • The key accounting judgement is to what extent the above circumstances should be considered in determining the estimated recoverable amounts of the Armor business related assets, and the net realisable value of associated inventory at the balance sheet date. • In determining the recoverable amounts of the Armor business related assets, judgement is required in determining the level at which to group assets for impairment testing. **Subjective estimate:** • The estimated recoverable amounts of the Armor business related assets are supported by discounted future cash flows (based on assumptions such as discount rates and revenue growth rates), which are inherently highly judgemental. • The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the estimated recoverable amounts of the Armor business related assets had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than that materiality.	**Our procedures included:** • **Accounting analysis:** We critically assessed the judgements made in the Group's impairment assessments for the Armor business related assets in relation to the extent that the post year-end events should be incorporated into the assessments, and the level at which assets have been grouped for impairment testing with reference to the relevant accounting standards. For each level at which the Group performed impairment testing for the Armor business related assets (Product level, Armor business level, Ballistics business level and Avon Protection business level) we have performed the following procedures: • **Historical comparison and our sector knowledge:** We challenged the detailed forecasts which support the estimated recoverable amount at each level by reference to historical accuracy of previous forecasts. At the product level, we also held discussions with operational management on the likelihood and timing of when new products are expected to receive regulatory clearance as compared to what was assumed in the forecasts and the size of the potential market. • **Benchmarking assumptions:** We compared the Group's assumptions to externally derived data in relation to key inputs such as revenue growth rates and discount rates. • **Sensitivity analysis:** We performed sensitivity analysis to determine if reasonably possible changes in discount rates and growth rates would result in material changes to the impairments recognised, or additional impairments being recognised. • **Assessing transparency:** We assessed the adequacy of the Group's disclosures of the judgements involved in the impairment review performed, and the disclosure of the implications of the strategic review on the business as a post balance sheet event. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** • We found the extent to which the Group treated post year-end events as adjusting to be acceptable. • We found the Armor business related assets balances, and the related impairment charges, to be acceptable (2020 result: we found the Group's conclusion that there was no impairment of Armor business related assets to be acceptable).

	The risk	Our response
Business combination accounting (Valuation of intangible assets acquired of $51.7 million in respect of the Team Wendy acquisition (2020: $38.7 million in respect of the ballistic protection acquisition) Risk vs 2020: ▲ Refer to pages 71 and 72 (Audit Committee Report), pages 125, 126, 128 and 129 (accounting policy) and pages 156 and 157 (financial disclosures).	**Subjective estimate** • The acquisition of Team Wendy LLC on 2 November 2020 required the net assets acquired to be recorded at fair value and for intangible assets to be separately identified from goodwill. • The fair value of intangible assets acquired are determined through complex valuation methods including by forecasting and discounting future cash flows (based on assumptions such as discount rates, growth rates, and royalty rates), which are inherently highly judgemental. • The effect of these matters is that, as part of our risk assessment, we determined that the valuation of intangible assets acquired on acquisition of the Team Wendy business contains a high degree of estimation uncertainty, with a potential range of reasonably possible outcomes greater than our materiality as a whole, and possibly many times that amount. • The risk has increased year-on-year due to the size of the acquired intangibles in the Team Wendy acquisition relative to materiality and therefore the potential range of reasonably possible outcomes is larger and more sensitive to small changes compared to the ballistic protection acquisition.	**Our procedures included:** • **Assessing the valuer's credentials:** We evaluated the competence and independence of the expert engaged by the directors and whether they had been appropriately instructed and were provided with complete, accurate data on which to base their valuations. • **Our corporate finance expertise and our sector knowledge:** We evaluated, with the assistance of our own valuation specialist, the basis upon which the Directors identified the intangible assets acquired. We assessed whether the measurement bases used to estimate the fair values of the intangible assets were reasonable, taking account of our experience of similar assets in other comparable situations and our assessment of the work performed by the third party expert. • **Benchmarking assumptions:** We challenged the appropriateness of discount rates, growth rates, and royalty rates which have been used to value acquired intangible assets with reference to assumptions developed by our own valuation specialists, the due diligence providers report, post acquisition trading, and market data. • **Assessing transparency:** We assessed whether the appropriate disclosures have been provided on the judgements and estimates applied in arriving at the fair values. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** • We found the fair values adopted for the intangible assets acquired to be acceptable (2020: acceptable).
Recoverability of Parent Company's investments in subsidiaries (£191.0 million; 2020: £113.7 million) Risk vs 2020: ◀▶ Refer to page 163 (accounting policy) and page 166 (financial disclosures).	**Low risk, high value** The carrying amount of the parent Company's investments in subsidiaries represents 93% (2020: 43%) of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.	**Our procedures included:** • **Tests of detail:** Comparing the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. • **Assessing subsidiary audits:** Assessing the work performed by the subsidiary audit team and the Group team on all of those subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets. Where the carrying amount of an investment was below the relevant subsidiary's net assets, our procedures also included: • **Our sector experience:** Challenging the revenue growth and long-term growth rates included in the budgets based on our knowledge of the Group and the markets in which the subsidiary operates; • **Historical comparisons:** Assessing the reasonableness of the subsidiary's budgets by considering the historical accuracy of the previous forecasts; and • **Our sector experience:** Evaluating the current level of the subsidiary's trading, including identifying any indications of a downturn in activity, by examining the post year end management accounts and considering our knowledge of the Group and the market. We performed the tests above rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** We found the Company's conclusion that there is no impairment of its investments in subsidiaries to be acceptable (2020: acceptable).

We continue to perform procedures over the pension obligation. However, in the context of the increased risk identified this year for some of the key audit matters outlined above, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

Independent Auditor's Report continued

to the Members of Avon Protection plc

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at $1.5 million (2020: $1.8 million), determined with reference to a benchmark of total revenue, of which it represents 0.6% (2020: 0.8% of revenue). We consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than Group loss before tax.

Materiality for the Parent Company financial statements as a whole was set at £0.8 million (2020: £1.1 million), which is the component materiality for the Parent Company determined by the Group audit engagement team. This is lower than the materiality we would otherwise have determined with reference to a benchmark of Parent Company total assets, of which it represents 0.4% (2020: 0.4%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

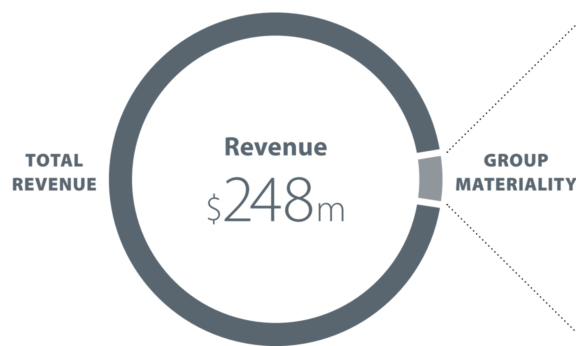
Performance materiality was set at 65% (2020: 75%) of materiality for the Group financial statements as a whole, which equates to $0.975 million (2020: $1.3 million). We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior period.

Performance materiality was set at 75% (2020: 75%) of materiality for the Parent Company financial statements as a whole which equates to £0.6 million (2020: £0.825 million). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $75,000 (2020: $89,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

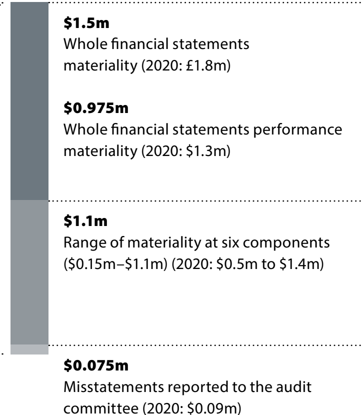
Revenue

$248m (2020: $214m Revenue)

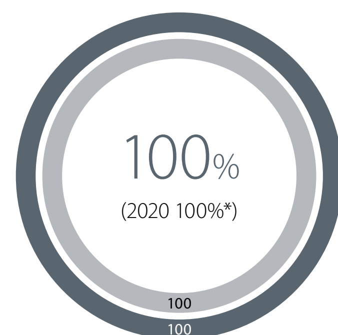


Group Materiality

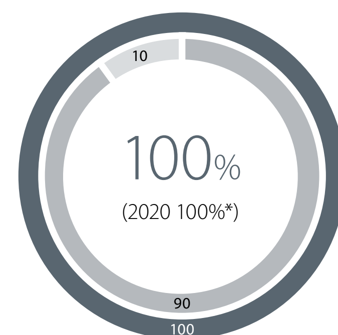
$1.5m (2020: $1.8m)



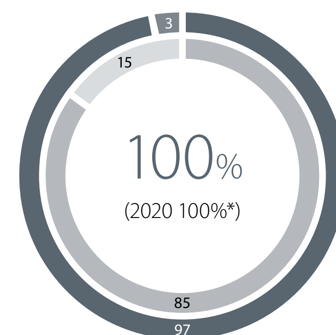
Group revenue



Group profit before tax



Group total assets



- Full scope for Group audit purposes 2021
- Specified risk-focused audit procedures 2021
- Full scope for Group audit purposes 2020
- Specified risk-focused audit procedures 2020
- Residual components

* In 2021, audit coverage is calculated on the above measures to include all operations classed as continuing or discontinued. In 2020 audit coverage was calculated on the above measures to only include continuing operations. In 2020, for two of the Group's six discontinued reporting components, we performed specific procedures other than audits for group reporting purposes in order to provide further coverage over the Group's results.

Of the Group's eight (2020: six continuing) reporting components, we subjected five (2020: three) to full scope audits for Group purposes and one (2020: two) to specified risk-focused audit procedures over cash and cash equivalents (2020: revenue, development costs, and cash and cash equivalents). The latter was not individually financially significant enough to require a full scope audit for Group purposes, but did present specific individual risks that needed to be addressed. The components within the scope of our work accounted for the percentages illustrated opposite. For the residual two components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from $0.15 million to $1.1 million (2020: $0.5 million to $1.4 million), having regard to the mix of size and risk profile of the Group across the components. The work on one of the components (2020: None of the components) included procedures performed by component auditors and the rest, including the audit of the Parent Company, was performed solely by the Group team. The Group audit team had planned to visit four component locations in U.S. and U.K. (2020: four locations in U.S. and U.K.) as part of the group team's work on those components. However, these visits were prevented by movement restrictions relating to the COVID-19 pandemic. Instead virtual visits (2020: virtual visits) to four component locations in the U.S. and U.K. (2020: four locations in U.S. and U.K.) were performed to assess audit risk and strategy, including virtual conference calls with key members of component staff.

4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources and metrics relevant to debt covenants over this period were:

- The managed exit from the Armor business
- Disruption to the Group's supply chain
- Dependence on a large customer or market

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group's current and projected cash and facilities (a reverse stress test).

Our procedures also included:

- Comparing past budgets to actual results to assess the Directors' track record of budgeting accurately.
- Inspecting the confirmation from the lender of the level of committed financing, and the associated covenant requirements.
- We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the Directors' statement on page 123 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure on page 123 to be acceptable; and
- The related statement under the Listing Rules set out on page 67 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Independent Auditor's Report continued

to the Members of Avon Protection plc

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the Audit Committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit Committee minutes.
- Considering remuneration incentive schemes (annual bonus scheme and performance share plan) and performance targets for management and Directors including the total shareholder return target and EPS target for management remuneration.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group to the component audit team of relevant fraud risks identified at the Group level.

Identifying and responding to risks of material misstatement due to fraud continued

As required by auditing standards, and taking into account possible pressures to meet profit targets and recent revisions in market guidance and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that Group and component management may be in a position to make inappropriate accounting entries.

We also identified a fraud risk related to inappropriate capitalisation of development costs in response to possible pressures to meet profit targets and market guidance.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual or unexpected accounts.
- Evaluating the business purpose of significant unusual transactions.
- For a sample of capitalised development costs, assessing whether the costs had been capitalised against the correct project, measured correctly, and were eligible for capitalisation.
- For a sample of invoices raised around the year end date, assessing whether revenue had been recognised in the appropriate period by comparing to dispatch notes or terms of specific sale agreements.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and pensions regulation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: export control legislation and anti-bribery and corruption legislation, recognising the Governmental nature of many of the group's customers, product regulation, health and safety, employment law, environmental legislation, recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- We have not identified material misstatements in the strategic report and the Directors' report;
- In our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- In our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the Viability Statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement on page 67 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principle risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review Viability Statement, set out on page 67 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Independent Auditor's Report continued

to the Members of Avon Protection plc

6. We have nothing to report on the other information in the Annual Report continued

Corporate governance disclosures continued

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- The Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- The section of the annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- The section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the U.K. Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 98, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an Auditor's Report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (U.K.) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Campbell-Orde (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants, 66 Queen Square, Bristol, BS1 4BE

14 December 2021

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2021

	Note	2021 $m	2020 $m restated[1]
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	2.5	(35.6)	2.2
Taxation	2.6	11.1	1.6
(Loss)/profit for the year from continuing operations		(24.5)	3.8
Discontinued operations			
Gain on divestment	7.2	–	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	6.2	16.2	(36.7)
Deferred tax relating to retirement benefit scheme	2.6	(3.1)	6.9
Deferred tax relating to change in tax rates	2.6	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 page 123 in accounting policies for further details.

2 In the prior year the net cash flow hedge credit of $1.7 million included a $3.5 million credit in respect of goodwill reclassification (note 5.4). 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

At 30 September 2021

	Note	2021 $m	2020 $m restated[1]	2019 $m restated[1]
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	2.6	40.2	29.7	18.3
		269.8	185.0	99.5
Current assets				
Inventories	4.1	62.3	36.3	25.5
Trade and other receivables	4.2	44.7	46.0	43.6
Current tax receivables		7.8	–	–
Cash and cash equivalents	4.3	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	4.4	40.0	39.5	36.8
Derivative financial instruments	5.4	–	–	1.6
Provisions for liabilities and charges	7.1	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	2.6	6.1	5.6	6.7
Retirement benefit obligations	6.2	68.3	79.6	66.6
Provisions for liabilities and charges	7.1	5.4	12.6	2.8
		145.8	123.6	90.4
Net assets		205.4	229.5	92.6
Shareholders' equity				
Ordinary shares	5.5	50.3	50.3	50.3
Share premium account	5.5	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 page 123 in accounting policies for further details.

These financial statements on pages 119 to 159 were approved by the Board of Directors on 14 December 2021 and signed on its behalf by:

Paul McDonald
Chief Executive Officer

Nick Keveth
Chief Financial Officer

Consolidated Cash Flow Statement

For the year ended 30 September 2021

	Note	2021 $m	2020 $m restated[1]
Cash flows from operating activities			
Cash flows from continuing operations	4.3	26.9	29.1
Cash flows from discontinued operations	4.3	(3.3)	9.0
Cash flows from operations	4.3	23.6	38.1
Retirement benefit deficit recovery contributions	6.2	(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	7.2	3.4	217.2
Costs of divestment	7.2	(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 $1.1 million (2020: nil)	7.2	(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	5.6	(12.1)	(8.9)
Purchase of own shares	5.5	(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	4.3	14.1	187.2

1 On 1 October 2020, the Group changed its reporting currency from sterling to U.S. dollars. See page 123 in accounting policies 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	2.6	–	–	–	(0.7)	–	(0.7)
Cash flow hedges	5.4	–	–	1.7	–	–	1.7
Deferred tax relating to cash flow hedges	2.6	–	–	(0.3)	–	–	(0.3)
Remeasurement loss recognised on retirement benefit scheme	6.2	–	–	–	–	(36.7)	(36.7)
Deferred tax relating to change in tax rates						1.2	1.2
Deferred tax relating to retirement benefit scheme	2.6	–	–	–	–	6.9	6.9
Total comprehensive income for the year		–	–	1.4	(2.4)	142.8	141.8
Dividends paid	5.6	–	–	–	–	(8.9)	(8.9)
Fair value of share-based payments	6.3	–	–	–	–	2.2	2.2
Deferred tax relating to employee share schemes	2.6	–	–	–	–	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	2.6	–	–	–	–	0.3	0.3
Remeasurement gain recognised on retirement benefit scheme	6.2	–	–	–	–	16.2	16.2
Deferred tax relating to change in tax rates	2.6	–	–	–	–	4.1	4.1
Deferred tax relating to retirement benefit scheme	2.6	–	–	–	–	(3.1)	(3.1)
Total comprehensive (expense)/income for the year		–	–	–	0.6	(8.1)	(7.5)
Dividends paid	5.6	–	–	–	–	(12.1)	(12.1)
Own shares acquired	5.5	–	–	–	–	(4.3)	(4.3)
Fair value of share-based payments	6.3	–	–	–	–	0.5	0.5
Current tax relating to employee share schemes charged to equity	2.6	–	–	–	–	1.2	1.2
Deferred tax relating to employee share schemes charged directly to equity	2.6	–	–	–	–	(1.9)	(1.9)
At 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 page 123 in accounting policies 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 $0.6 million (2020: $0.6 million) and the translation reserve of ($15.6 million) (2020: ($16.2 million)).

All movements in other reserves relate to the translation reserve.

Accounting Policies and Critical Accounting Judgements

For the year ended 30 September 2021

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.

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 $0.1 million.

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, which takes account of the impact of the strategic review of Armor (see note 7.6), indicates that the Group will have sufficient funds to meet its liabilities as they fall due for that period.

As part of their assessment, the Directors considered a base case, which reflects the impact of the strategic review of the Armor business and a severe downside scenario involving a 25% decline in bank-determined adjusted EBITDA against the base case. Even in this severe downside scenario, the assessment indicates that the Group will have sufficient funds to meet its liabilities as they fall due, and will continue to comply with its loan covenants, throughout the forecast period. The Group has committed RCF facilities of $200 million (see note 5.1) and related loan covenants include a limit of 3.0 times for the ratio of net debt, excluding lease liabilities, to bank-determined adjusted EBITDA (leverage).

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

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 $0.7 million of cost capitalised in prior years.

Basis of consolidation

The consolidated financial statements incorporate the financial results and position of the Group and its subsidiaries.

Subsidiaries are those entities over which the Group has power, exposure or rights to variable returns from its involvement with the entity and the ability to use its power to affect the amount of the Group's returns.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date that control ceases.

Inter-group transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Foreign currencies

On 1 October 2020, the Group changed its reporting currency from sterling to U.S. dollars. The results and financial position of all subsidiaries and associates that have a functional currency different from U.S. dollars are translated into U.S. dollars as follows:

- assets and liabilities are translated at the closing rate at the balance sheet date; and
- income and expenses are translated at an average exchange rate for the month where the relevant rate approximates to the foreign exchange rates ruling at the dates of the transactions.

All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in entities with a functional currency other than U.S. dollars, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When an entity with a functional currency other than U.S. dollars is sold, the cumulative amount of such exchange difference is recognised in the Consolidated Statement of Comprehensive Income as part of the gain or loss on sale.

Foreign currency transactions are initially recorded in an entity's functional currency accounts at the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at exchange rates ruling at the balance sheet date of monetary assets or liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income, except when deferred in equity as qualifying hedges.

Accounting Policies and Critical Accounting Judgements continued

For the year ended 30 September 2021

Revenue

Revenue recognition

Revenue is measured at the fair value of the consideration which is expected to be received in exchange for goods and services provided, net of trade discounts and sales-related taxes.

Revenue is recognised when all of the following conditions are satisfied:

- A contract exists with a customer.
- The performance obligations within the contract have been identified.
- The transaction price has been determined.
- The transaction price has been allocated to the performance obligations within the contract.
- Revenue is recognised as or when a performance obligation is satisfied.

Sale of goods

Revenue from the sale of goods is recognised when control of the goods has transferred to the customer, usually being when the goods have been shipped to the customer in accordance with the contracted shipping terms.

Provision of services

Revenue from a contract to provide services, including customer funded research and development and training, is recognised over time as those services are provided. The Group recognises the amount of revenue from the services provided under a contract with reference to the costs incurred as a proportion of total expected costs.

Contract assets and liabilities

Assets and liabilities arising from contracts with customers are separately identified. Contract assets relate to consideration recognised for work completed but not billed at the balance sheet date. Contract liabilities relate to consideration received but not recognised as revenue at the balance sheet date. See notes 4.2 and 4.4 for further details.

Segment reporting

Segments are identified based on how management monitors the business.

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

Operating segments are aggregated into a single reportable segment only when the segments have similar economic characteristics, and the segments are similar in each of the following respects:

- The nature of the products and services; the nature of the production processes.
- The type or class of customer for their products and services; the methods used to distribute their products or provide their services.
- The nature of the regulatory environment.

The Group Executive team assesses the performance of operating segments based on measures of revenue, adjusted EBITDA and adjusted operating profit, as well as other measures not defined under IFRS including orders received, closing order book, organic revenue growth, EBITDA margin, cash conversion and Return on Capital Employed. Further details on these measures can be found in the Adjusted Performance Measures section.

Following the divestment of milkrite | InterPuls in September 2020, the Group has one clearly defined reportable segment, which is made up of two aggregated operating segments, Avon Protection and Team Wendy. In the prior year, the Group defined Helmets and Armor as a separate operating segment which 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 business.

Employee benefits

Pension obligations and post-retirement benefits

The Group has both defined benefit and defined contribution plans.

The defined benefit plan's asset or liability as recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in the period in which they occur, as part of other comprehensive income. Costs associated with investment management are deducted from the return on plan assets. Other expenses are recognised in the income statement as incurred.

For the defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Contributions are expensed as incurred.

Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives service from employees as consideration for equity instruments (options) of the Group. The fair value of the employee service received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market based performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Consolidated Statement of Comprehensive Income, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Exceptional items

Transactions are classified as exceptional where they relate to an event that falls outside of the underlying trading activities of the business and where individually or in aggregate they have a material impact on the financial statements.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Identifiable net assets include intangible assets other than goodwill. Any such intangible assets are amortised over their expected future lives unless they are regarded as having an indefinite life, in which case they are not amortised, but subjected to annual impairment testing in a similar manner to goodwill.

Since the transition to IFRS, goodwill arising from acquisitions of subsidiaries after 3 October 1998 is included in intangible assets. It is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill arising from acquisitions of subsidiaries before 3 October 1998, which was set against reserves in the year of acquisition under U.K. GAAP, has not been reinstated and is not included in determining any subsequent profit or loss on disposal of the related entity.

Goodwill is tested for impairment at least annually or whenever there is an indication that the asset may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Any impairment is recognised immediately in the Consolidated Statement of Comprehensive Income. Subsequent reversals of impairment losses for goodwill are not recognised.

Development expenditure

Expenditure in respect of the development of new products where the outcome is assessed as being reasonably certain as regards viability and technical feasibility is capitalised and amortised over the expected useful life of the development (between five and 15 years). Expenditure that does not meet these criteria is expensed as incurred. The capitalised costs are amortised over the estimated period of sale for each product, commencing in the year in which the product is available for sale. Development costs capitalised are tested for impairment annually where not yet ready for use or whenever there is an indication that the asset may be impaired. Any impairment is recognised immediately in the Consolidated Statement of Comprehensive Income. Subsequent reversals of impairment losses for development are not recognised.

U.K. development costs have not been treated as a realised loss by the Directors as they relate to specific R&D projects from which the Group is expected to obtain significant economic benefit in the future.

Accounting Policies and Critical Accounting Judgements continued

For the year ended 30 September 2021

Computer software

Computer software is included in intangible assets at cost and amortised over its estimated life of three to 10 years.

Other intangible assets

Other intangible assets that are acquired by the Group as part of business combinations are stated at cost less accumulated amortisation and impairment losses. The useful lives take account of the differing natures of each of the assets acquired.

The lives used are:

- Brands and trademarks – four to 15 years
- Customer relationships – three to 14 years
- Order backlog – three months to one year
- Technology and licence agreements – two to 10 years

Amortisation is charged on a straight-line basis over the estimated useful lives of the assets through general and administrative expenses.

Property, plant and equipment

Property, plant and equipment is stated at historical cost or deemed cost where IFRS 1 exemptions have been applied, less accumulated depreciation and any recognised impairment losses.

Costs include the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use including any qualifying finance expenses.

Land is not depreciated. Depreciation is provided on other assets estimated to write down the depreciable amount of relevant assets by equal annual instalments over their estimated useful lives.

In general, the lives used are:

- Freehold – 40 years
- Leasehold property – over the period of the lease
- Plant and machinery
  - Computer hardware and motor vehicles – three years
  - Presses – 15 years
  - Other plant and machinery – five to 10 years

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated net realisable value. Gains and losses on disposal are determined by comparing proceeds with carrying amounts. These are included in the Consolidated Statement of Comprehensive Income.

Leases

Right of use assets and lease liabilities are recognised at the commencement date of the contract for all leases conveying the right to control the associated asset for a period of time.

The right of use assets are initially measured at cost, which comprises the initial measurement of the lease liability plus an estimate of dilapidation provisions (note 7.1) where required. Subsequently the right of use assets are measured at cost less accumulated depreciation, any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

Depreciation is calculated on a straight-line basis over the life of the lease. In general the lives used are:

- Leasehold property – period of the lease

The lease liability is initially measured at the present value of the lease payments due over the life of the lease. The lease payments are discounted at the rate implicit in the lease or if that is not readily determined using the Group's incremental borrowing rate.

The lease term is determined with reference to any non-cancellable period of lease contracts plus any periods covered by an option to extend/terminate the lease if it is considered reasonably certain that the option will/will not be exercised. In concluding whether or not it is reasonably certain an option will be exercised for new leases management has considered the three-year strategic outlook for the Group and other operational factors.

Subsequently the lease liability is measured by increasing the carrying value to reflect interest on the liability and reducing the carrying value to reflect lease payments made.

The carrying value of lease liabilities and associated assets will be re-measured to reflect any changes to the lease or other assumptions applied.

The Group is a lessee and does not act as lessor.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO). The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable incremental selling expenses.

Financial instruments

Recognition and initial measurement

Trade receivables are initially recognised when they are originated and measured at the transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are initially recognised at fair value. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument and measured at fair value.

Classification and subsequent measurement

Trade and other receivables and Trade and other payables are classified as measured at amortised cost.

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets (as defined in IFRS 15).

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL, see note 5.4 for more details.

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Cash and cash equivalents include cash at bank and in hand and highly liquid interest-bearing securities with maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Derivative financial instruments and hedging

The Group classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and states them at fair value through the Consolidated Statement of Comprehensive Income. Any ineffective portion of the hedge is recognised immediately in the income statement. See note 5.4 for more details.

Impairment

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. See note 5.4 for details.

Provisions

Provisions are recognised when:

- the Group has a legal or constructive obligation as a result of a past event.
- it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, for example where a warranty has been given, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently stated at amortised cost. Borrowing costs are expensed using the effective interest method.

Taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

Taxable profit differs from accounting profit because it excludes certain items of income and expense that are recognised in the financial statements but are treated differently for tax purposes. Current tax is the amount of tax expected to be payable or receivable on the taxable profit or loss for the current period. This amount is then amended for any adjustments in respect of prior periods.

Current tax is calculated using tax rates that have been written into law ('enacted') or irrevocably announced/committed by the respective Government ('substantively enacted') at the period-end date. Current tax receivable (assets) and payable (liabilities) are offset only when there is a legal right to settle them net and the entity intends to do so. This is generally true when the taxes are levied by the same tax authority.

Because of the differences between accounting and taxable profits and losses reported in each period, temporary differences arise on the amount certain assets and liabilities are carried at for accounting purposes and their respective tax values. Deferred tax is the amount of tax payable or recoverable on these temporary differences.

Accounting Policies and Critical Accounting Judgements continued

For the year ended 30 September 2021

Deferred tax liabilities arise where the carrying amount of an asset is higher than the tax value (more tax deduction has been taken). This can happen where the Group invests in capital assets, as governments often encourage investment by allowing tax depreciation to be recognised faster than accounting depreciation. This reduces the tax value of the asset relative to its accounting carrying amount. Deferred tax liabilities are generally provided on all taxable temporary differences. The periods over which such temporary differences reverse will vary depending on the life of the related asset or liability.

Deferred tax assets arise where the carrying amount of an asset is lower than the tax value (less tax benefit has been taken). This can happen where the Group has trading losses, which cannot be offset in the current period but can be carried forward. Deferred tax assets are recognised only where the Group considers it probable that it will be able to use such losses by offsetting them against future taxable profits.

However the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Taxable temporary differences can also arise on investments in foreign subsidiaries and associates, and interests in joint ventures. Where the Group is able to control the reversal of these differences and it is probable that these will not reverse in the foreseeable future, then no deferred tax is provided. Deferred tax is calculated using the enacted or substantively enacted rates that are expected to apply when the asset is realised or the liability is settled. Similarly to current taxes, deferred tax assets and liabilities are offset only when there is a legal right to settle them net and the entity intends to do so. This normally requires both assets and liabilities to have arisen in the same country.

Income tax expense reported in the financial statements comprises current tax as well as the effects of changes in deferred tax assets and liabilities. Tax expense/credits are generally recognised in the same place as the items to which they relate. For example, the tax associated with a gain on disposal is recognised in the income statement, in line with the gain on disposal. Equally, the tax associated with pension obligation actuarial gains and losses is recognised in other comprehensive income, in line with the actuarial gains and losses.

Dividends

Final dividends are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by shareholders, while interim dividends are recognised in the period in which the dividends are paid.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Business combinations

Business combinations are accounted for using the acquisition accounting method. Identifiable assets and liabilities acquired are measured at fair value at acquisition date. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. Unwinding of discount on contingent consideration is included within finance costs. Changes to the fair value arising from changes in the contingent element, for example, expected cash to e paid, or timing of when payments will be made, are included in general and administrative expenses.

Significant accounting judgements and estimates

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The key areas where assumptions and estimates are significant to the financial statements are disclosed below.

Judgements and estimates

Development costs

The Group capitalises the development costs of new products and processes as intangible assets or property, plant and equipment. Initial capitalisation and any subsequent impairment are based on management's judgement of technological and economic feasibility, including regulatory approvals required and forecast customer demand. In determining the amounts to be capitalised the Group makes estimates regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. If either technological or economic feasibility is not demonstrated then the capitalised costs will be written off to the income statement.

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 7.6 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.

Estimating the defined benefits pension scheme assets and obligations

Measurement of defined benefit pension obligations requires estimation of future changes in inflation and mortality rates, and the selection of a suitable discount rate.

The investments held by the pension scheme include both quoted and unquoted securities, the latter which by their nature involve assumptions and estimates to determine their fair value. Where there isn't an active market for the unquoted securities the fair value of these assets are estimated by the pension trustees based on advice received from the investment manager whilst also using any available market evidence of any recent transactions for an identical asset. The assumptions used in valuing unquoted investments are affected by current market conditions and trends which could result in changes in fair value after the measurement date.

See note 6.2 for further details.

Notes to the Group Financial Statements

For the year ended 30 September 2021

Section 2 – Results for the year

Within this section you will find disclosures explaining the Group's results for the year, segmental information, earnings per share and taxation, as well as details of the discontinued operations.

2.1 Operating segments

The Group Executive team is responsible for allocating resources and assessing performance of the operating segments. Operating segments are therefore reported in a manner consistent with the internal reporting provided to the Group Executive team.

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 $m restated[1]
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 page 123 in accounting policies 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 on page 103. Other adjusting items for the prior year include a $7.7 million inventory pro-forma acquisition accounting adjustment which is unaudited.

Revenue includes $130.8 million (2020: $127.5 million) of revenues from the U.S. DOD, sold directly and through indirect channels, the only customer which individually contributes more than 10% to Group revenues.

Revenue analysed by geographic origin

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

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).

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.

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 7.2)	–	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

Notes to the Group Financial Statements continued

For the year ended 30 September 2021

Section 2 – Results for the year continued

2.2 Discontinued operations continued

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 Expenses by nature

	2021 $m	2020 $m
Changes in inventories of finished goods and work in progress	(9.4)	(1.8)
Raw materials and consumables used	101.4	83.3
Employee benefit expense (note 6.1)[1]	78.0	66.8
Depreciation and amortisation charges (notes 3.1 and 3.2)	29.4	18.7
Impairment of non-current assets (notes 3.1 and 3.2)	46.2	–
Release of contingent consideration	(15.7)	–
Transportation expenses	7.0	2.4
Travelling costs	0.3	1.5
Legal and professional fees	9.7	4.0
Acquisition costs – 3M ballistic protection business[2]	0.4	3.3
Acquisition costs – Team Wendy[2]	2.2	7.4
Exceptional transition costs[2]	–	2.9
Other expenses	27.8	16.2
Total cost of sales, selling and distribution costs and general and administrative expenses	277.3	204.7

1 Note 2.4 is presented on a continuing basis whilst note 6.1 is presented on a total basis, the prior year reconciling item being employee benefit expense in relation to discontinued operations.

2 Please refer to Adjusted Performance measure section for further details.

Expenses include $1.8 million (2020: $2.4 million) of staff costs and overheads in relation to expensed research and development expenditure.

2.5 (Loss)/profit before taxation

	2021 $m	2020 $m
(Loss)/profit before taxation is shown after charging/(crediting):		
Loss on foreign exchange	1.9	0.4
Loss on disposal of property, plant and equipment	–	0.1
Depreciation of property, plant and equipment (note 3.2)	10.4	9.8
Repairs and maintenance of property, plant and equipment	0.5	1.9
Amortisation of development expenditure and software (note 3.1)	4.8	4.9
Amortisation of acquired intangibles (note 3.1)	14.2	11.2
Impairment of non-current assets (notes 3.1 and 3.2)	46.2	–
Research and development	1.8	2.4
Impairment of inventories	6.2	0.6
Impairment of trade receivables (note 5.4)	0.2	(0.1)
Services provided to the Group (including its overseas subsidiaries) by the Company's auditors:		
Audit fees in respect of the audit of the accounts of the Group including subsidiaries	0.6	0.5
Audit fees in respect of the audit of the accounts of the Parent Company	0.2	0.1
Total fees	0.8	0.6

Notes to the Group Financial Statements continued

For the year ended 30 September 2021

Section 2 – Results for the year continued

2.6 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 $0.6 million (2020: $1.7 million) includes a $0.3 million credit in connection with the resolution of a number of prior year uncertain tax positions (2020: $1.0 million).

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

The U.K. Budget Announcement on 3 March 2021 stated that the corporation tax rate would increase to 25% (effective 1 April 2023), this increase was substantively enacted on 14 May 2021 and will increase the Company's future current tax charge accordingly. The impact of this increase is also reflected in these financial statements for all U.K. deferred tax assets.

The tax on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the standard U.K. tax rate applicable to profits of the consolidated entities as follows:

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

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 $4.7 million (2020: $3.3 million) in respect of capital losses where it is not considered that there will be sufficient available future profits to utilise these losses. The gross amount of unrecognised deferred tax assets is $18.7 million 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.

$1.6 million of the deferred tax asset within other temporary differences relates to inventory reserves and differing cost capitalisation rules for accounting and tax purposes, with the remainder of other temporary differences relating to a number of smaller timing differences between the tax and accounting treatment.

Notes to the Group Financial Statements continued

For the year ended 30 September 2021

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: $3.8 million 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 $0.7 million brought forward capitalised costs relating to the configuration and customisation costs in cloud computing arrangements, see adjusted performance measures.

The remaining useful economic life of the development expenditure is between four and ten years.

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 $13.0 million of development costs relate to technology under development, including $3.9 million subject to final feasibility tests and $3.5 million 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 $3.9 million 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 ($3.5 million) 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 ($1.0 million) 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 7.6). 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.

Notes to the Group Financial Statements continued

For the year ended 30 September 2021

Section 3 – Non-current assets continued

3.1 Intangible assets continued

Armor related impairments continued

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 $45.1 million in respect of assets relating to the Ceradyne armor business acquired from 3M as part of the ballistic protection acquisition – these arose at the individual product level and the armor business level. In addition, inventory provisions of $1.7 million were recognised against VTP ESAPI armor materials. Offsetting these charges, a gain of $15.7 million was recognised to reduce the net present value of the contingent consideration payable to 3M as a result of the reduced revenue expectations from the DLA ESAPI body armor contract.

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 $28.0 million and the Ceradyne helmet intangible assets with a carrying value of $28.9 million 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 $58.3 million was recognised on the acquisition of the assets of Team Wendy (2020: $28.0 million recognised on acquisition of the 3M ballistic protection business less $1.8 million derecognised on the divestment of the milkrite | InterPuls business). Subsequent to these transactions the full carrying value of $58.3 million associated with Team Wendy was recognised in the Team Wendy CGU with the full carrying value of $28.0 million associated with the acquisition of the 3M ballistic protection business being recognised in the Avon Protection CGU, following the incorporation of the 3M ballistic protection business into the Avon Protection operating segment.

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 cash flows. This includes assumptions such as discount rates, royalty rates and estimates for growth rates, weighted average cost of capital and useful lives.

In the current period, the Group acquired additional intangibles through the acquisition of the Team Wendy business (see note 7.2) which related to trade names ($10.4 million), technology ($13.1 million) and customer contracts ($28.2 million). External experts were engaged to support the Group in establishing appropriate estimates for the fair values of these assets. Trade names and technology were valued using the relief from royalty method, whilst customer contracts were valued using the excess earnings method. Assumptions adopted for the valuation of the individual assets included average annual growth rates of 4.7%–5.4% for revenue forecasts, royalty rates between 1%–7.5% depending on the individual assets, relevant qualitative factors and comparable market data as well discount factors of 10.6%–12.6%, based on current market data and the risks associated with each of the individual assets.

Sensitivity analysis has shown that a reduction of assumed growth rates by 2% would lead to a reduced value of $1.6 million across the acquired intangibles with a corresponding increase in value of Goodwill. A change in assumed discount factors by 1% would lead to a change in value of $2.1 million and a 10% variance in assumed royalty rates would lead to a change in value of $2.4 million across acquired intangibles with a corresponding change in the valuation of Goodwill.

Customer relationships

Customer relationships include two separately identifiable individually material contracts one with the National Industries for the Blind (NIB) and one with the Defense Logistics Agency (DLA). The NIB contract was acquired in the current period through the acquisition of Team Wendy at a fair value of $14.9 million. As at 30 September 2021, this acquired intangible had a carrying value of $13.7 million 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 $20.0 million and an initial amortisation period of three years. As a result of lower revenue expectations from this contract, an impairment of $8.3 million was recognised in the 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 $5.9 million amortised over five years. The remaining carrying value of these assets is $2.3 million, after amortisation charges and a $1.5 million impairment as a result of the armor review.

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

Notes to the Group Financial Statements continued

For the year ended 30 September 2021

Section 3 – Non-current assets continued

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: $3.3 million 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 $4.0 million from fixed assets to inventory due to the underlying nature of such assets being consumable and having a short useful economic life.

Property, plant and equipment of $61.2 million is located within the United States of America (2020: $54.0 million). 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 $25.7 million were recognised on property, plant and equipment.

The right of use asset impairment of $11.7 million 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 $13.9 million 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

This section presents disclosures around the Group's working capital balances; inventories, trade receivables, payables and cash. Careful management of working capital remains a key focus of the business.

4.1 Inventories

	2021 $m	2020 $m
Raw materials	33.0	16.4
Work in progress	17.5	13.8
Finished goods	11.8	6.1
	62.3	36.3

Provisions for inventory write downs were $12.5 million (2020: $5.2 million), including $1.7 million related to the write-down of VTP armor components to net realisable value (note 7.6).

The cost of inventories recognised as an expense and included in cost of sales amounted to $92.0 million (2020: $81.5 million). The amount of inventory carried as fair value less costs to sell is nil (2020: $3.4 million).

4.2 Trade and other receivables

	2021 $m	2020 $m
Trade receivables	39.8	29.0
Less: provision for impairment of receivables	(0.4)	(0.6)
Trade receivables – net	39.4	28.4
Prepayments	4.4	3.7
Other receivables	0.9	13.9
	44.7	46.0

In the prior year, other receivables included $3.8 million due in relation to the divestment of milkrite | InterPuls which was settled shortly after the prior year end, $7.5 million net receivable due from 3M under the transitional service agreement in relation to the ballistic protection business and $1.3 million recoverable from HMRC in relation to VAT. The Group has no contract assets in the current or prior period.

See note 5.4 (ii) Credit risk for further details in relation to the Group provision for impairment of receivables. Changes in provisions for impaired receivables are included within general and administrative expenses in the Consolidated Statement of Comprehensive Income.

4.3 Cash and cash equivalents

	2021 $m	2020 $m
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.

Notes to the Group Financial Statements continued

For the year ended 30 September 2021

Section 4 – Working capital continued

4.3 Cash and cash equivalents continued

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

4.4 Trade and other payables

	2021 $m	2020 $m
Trade payables	22.9	13.6
Contract liabilities	3.3	1.7
Other taxation and social security	0.8	0.6
Other payables	0.2	0.5
Accruals	12.8	23.1
	40.0	39.5

Contract liabilities represents amount invoiced under contracts with customers but not recognised as revenue at the balance sheet date and cash received in advance. $0.9 million (2020: $2.4 million) of the balance in contract liabilities at the start of the year was recognised as revenue in the current year. Other payables comprise sundry items which are not individually significant for disclosure.

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 $200 million across six lenders with an accordion option of an additional $50 million. 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 $5.0 million overdraft facility.

Notes to the Group Financial Statements continued

For the year ended 30 September 2021

Section 5 – Funding continued

5.1 Borrowings continued

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 (note 6.2)	(1.3)	(1.0)
Refinancing costs	–	(0.4)
Unwinding of discount on contingent consideration (note 7.1)	(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 Financial instruments

Financial instruments by category

Trade and other receivables (excluding prepayments) and cash and cash equivalents are classified as 'financial assets'. Borrowings and trade and other payables are classified as 'other financial liabilities at amortised cost'. Both categories are initially measured at fair value and subsequently held at amortised cost.

Derivatives (forward exchange contracts) are classified as 'derivatives used for hedging' and accounted for at fair value with gains and losses taken to reserves through the Consolidated Statement of Comprehensive Income.

Contingent consideration arising from the 3M ballistic protection business acquisition is accounted for at fair value. For further details see note 7.1.

Financial risk and treasury policies

The Group's finance team maintains liquidity, manages relations with the Group's bankers, identifies and manages foreign exchange risk and provides a treasury service to the Group's businesses. Treasury dealings such as investments, borrowings and foreign exchange are conducted only to support underlying business transactions.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and monies on deposit with financial institutions.

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets (as defined in IFRS 15).

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Notes to the Group Financial Statements continued

For the year ended 30 September 2021

Section 5 – Funding continued

5.4 Financial instruments continued

Financial risk and treasury policies continued

(i) Credit risk continued

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Carrying amount of financial assets	2021 $m	2020 $m
Trade receivables	39.4	28.4
Other receivables	0.9	13.9
Cash and cash equivalents	14.1	187.2
	54.4	229.5

The maximum exposure to credit risk for financial assets at the reporting date by currency was:

Carrying amount of financial assets	2021 $m	2020 $m
Pound sterling	5.9	212.1
U.S. dollar	47.2	17.4
Euro	1.2	–
Other currencies	0.1	–
	54.4	229.5

The ageing of trade receivables and associated provision for impairment at the reporting date was:

	Gross 2021 $m	Provision 2021 $m	Net 2021 $m	Gross 2020 $m	Provision 2020 $m	Net 2020 $m
Not past due	36.6	–	36.6	22.7	–	22.7
Past due 0–30 days	2.5	–	2.5	4.6	–	4.6
Past due 31–60 days	0.3	–	0.3	0.5	–	0.5
Past due 61–90 days	0.1	(0.1)	–	0.1	–	0.1
Past due more than 91 days	0.3	(0.3)	–	1.1	(0.6)	0.5
	39.8	(0.4)	39.4	29.0	(0.6)	28.4

The total past due receivables, net of provisions is $2.8 million (2020: $5.7 million).

The individually impaired receivables mainly relate to a number of independent customers. Provisions for impairment are based on expected credit losses and are estimated based on knowledge of customers and historic experience of losses. A portion of these receivables is expected to be recovered.

Movements on the Group provision for impairment of trade receivables are as follows:

	2021 $m	2020 $m
At 1 October	0.6	0.7
Provision for impairment of trade receivables	(0.2)	0.1
Provision for impairment reversed in relation to divestment of milkrite | InterPuls	–	(0.2)
At 30 September	0.4	0.6

At the balance sheet date the only significant concentration of credit risk was with the U.S. Government Department of Defense, due to outstanding trade receivables of $17.6 million.

The credit risk in relation to trade receivables is managed via credit evaluations for all non-Government customers requiring credit above a certain threshold, with varying approval levels set above this depending on the value of the sale. Where possible, letters of credit or payments in advance are received for significant export sales.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses weekly cash flow forecasts to monitor cash requirements and to optimise its borrowing position. Typically the Group ensures that it has sufficient borrowing facilities to meet foreseeable operational expenses and at the year end had net debt, before lease liabilities, of $26.8 million (2020: net cash of $147.7 million) and undrawn facilities of $164.1 million (2020: $165.1 million).

The following shows the contractual maturities of financial liabilities, including interest payments, where applicable, and excluding the impact of netting agreements and on an undiscounted basis:

Analysis of contractual cash flow maturities	Carrying amount $m	Contractual cash flows $m	Less than 12 months $m	2–5 years $m	After 5 years $m
30 September 2021					
Bank loans and overdrafts	40.9	44.5	1.4	43.1	–
Trade and other payables	39.2	39.2	39.2	–	–
Lease liabilities	29.1	36.6	5.0	17.7	13.9
Contingent consideration	6.0	7.2	3.5	3.7	–
	115.2	127.5	49.1	64.5	13.9

Analysis of contractual cash flow maturities	Carrying amount $m	Contractual Cash flows $m	Less than 12 months $m	2–5 years $m	After 5 years $m
30 September 2020					
Bank loans and overdrafts	39.5	39.5	39.5	–	–
Trade and other payables	38.9	38.9	38.9	–	–
Lease liabilities	29.0	36.7	4.2	16.7	15.8
Contingent consideration	19.5	21.5	10.0	11.5	–
	126.9	136.6	92.6	28.2	15.8

(iii) Market risks

Market risk is the risk that changes in market prices, such as currency rates and interest rates, will affect the Group's results. The objective of market risk management is to manage and control risk within suitable parameters.

(iv) Currency risk

The Group is exposed to transactional foreign exchange risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are sterling and U.S. dollars.

Transactional risk is minimised through natural hedging of sales and purchase currencies at a Company level. The Group monitors net transactional exposure and can utilise forward foreign exchange contracts to hedge the remaining currency risk. These contracts are generally designated as cash flow hedges. At the end of the reporting period there were no forward contracts outstanding (2020: $nil).

The Group is also exposed to translational foreign exchange risk arising when the results of sterling denominated companies are consolidated into the Group presentational currency, U.S. dollars. Group policy is not to hedge translational foreign exchange risk.

In respect of monetary assets and liabilities that are not denominated in Company functional currencies, the Group regularly reviews net exposure and ensures this is kept to an acceptable level by monitoring intercompany funding structures and buying or selling foreign currencies where necessary to address short-term imbalances.

Notes to the Group Financial Statements continued

For the year ended 30 September 2021

Section 5 – Funding continued

5.4 Financial instruments continued

Deal contingent forwards

On signing the agreement to acquire the Ceradyne Ballistic Protection business in 2019 the Group entered into a deal contingent forward to hedge the foreign exchange risk on the USD equivalent of the cash funded element of the purchase price. The contract was designated as a cash flow hedge in line with the Group's hedging policy with fair value movements recognised through the consolidated statement of comprehensive income.

The contract crystallised on completion of the acquisition in January 2020 at which point the fair value movements recognised to date ($3.5 million) were reclassified to Goodwill as an adjustment to consideration paid.

During 2020 an additional deal contingent forward was entered into to hedge the foreign currency risk on the U.S. portion of the milkrite | InterPuls divestment proceeds. The contract crystallised on divestment in September 2020 at which point fair value movements recognised to date of $2.8 million were reclassified to profit as an adjustment to the profit on divestment of the milkrite | InterPuls business.

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from historical cash flow hedge accounting.

Hedging reserve	2021 $m	2020 $m
Balance at 1 October	–	(1.4)
Cash flow hedges:		
Changes in fair value relating to foreign currency risk	–	0.5
Amount reclassified to profit or loss relating to foreign currency risk	–	(2.3)
Amount reclassified to goodwill	–	3.5
Tax on movements on reserves during the year	–	(0.3)
Balance at 30 September	–	–

Sensitivity analysis

It is estimated that, with all other variables held equal (in particular other exchange rates), a one cent increase in the value of the U.S. dollar against sterling would have increased the Group's current year profit before interest and tax by $0.2 million (2020: $0.4 million), increased Group's profit after tax $0.2 million (2020: $0.4 million) and increased shareholders' funds by $0.6 million (2020: $0.5 million).

The following significant exchange rates applied during the year:

	Average rate 2021	Closing rate 2021	Average rate 2020	Closing rate 2020
Pound sterling	0.7311	0.7384	0.7842	0.7851

(v) Interest rate risk

The Group does not undertake any hedging activity in this area. The main element of interest rate risk concerns borrowings which are made on a floating LIBOR-based rate and short-term overdrafts in foreign currencies which are also on a floating rate.

A 1% increase in interest rates would increase interest payable on bank loans and overdrafts by $0.2 million (2020: $0.5 million).

All cash deposits are on floating rates based on the relevant LIBOR or equivalent rate.

(vi) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of the gearing ratio, calculated as net debt divided by capital. Net debt is calculated as total borrowings (excluding lease liabilities) less cash and cash equivalents. Total capital is measured by the current market capitalisation of the Group, plus net debt.

The Group's net debt at the balance sheet date, excluding lease liabilities, was:

	2021 $m	2020 $m
Bank loans	(40.9)	(39.5)
Cash and cash equivalents	14.1	187.2
Group net (debt)/cash	(26.8)	147.7
Market capitalisation of the Group at 30 September	815.9	1,679.3
Gearing ratio	0.03	n/a

(vii) Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Carrying amount 2021 $m	Fair value 2021 $m	Carrying amount 2020 $m	Fair value 2020 $m
Trade receivables	39.4	39.4	28.4	28.4
Other receivables	0.9	0.9	13.9	13.9
Cash and cash equivalents	14.1	14.1	187.2	187.2
Bank loans and overdrafts	(40.9)	(40.9)	(39.5)	(39.5)
Trade and other payables	(39.2)	(39.2)	(38.9)	(38.9)
Contingent consideration	(6.0)	(6.0)	(19.5)	(19.5)

Basis for determining fair value

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

Derivatives

The fair value of forward exchange contracts is determined by using valuation techniques using year-end spot rates, adjusted for the forward points to the contract's value date. No contract's value date is greater than one year from the year end. These instruments are included in level 2 in the fair value hierarchy as the valuation is based on inputs that are either directly or indirectly observable.

Secured loans

As the loans are floating rate borrowings, amortised cost is deemed to reflect fair value.

Trade and other receivables/payables

As the majority of receivables/payables have a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

Contingent consideration

The estimated fair value is calculated as the present value of the future expected cash flows relating to the contract discounted using a risk-adjusted discount rate. Key unobservable inputs into the fair value calculation are the expected future cash flows and the risk-adjusted discount rate. The estimated fair value would change if the expected cash flows were lower than expected or the discount rate applied was higher or (lower). Contingent consideration is classified as level 3 within the fair value hierarchy. Further details can be found in note 7.1.

Notes to the Group Financial Statements continued

For the year ended 30 September 2021

Section 5 – Funding continued

5.5 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

Details of outstanding and movements in share options during the year are given in note 6.3 Share-based payments.

Ordinary shareholders are entitled to receive dividends and to vote at meetings of the Company.

Own shares held

	2021 No. of shares	2020 No. of shares
Balance at 1 October	398,560	506,274
Acquired in the period	95,855	–
Disposed of on exercise of options	(159,482)	(107,714)
At 30 September	334,933	398,560

At 30 September 2021, 334,933 (2020: 398,560) ordinary shares were held by a trust in respect of obligations under the 2010 Performance Share Plan. Dividends on these shares have been waived. The market value of the shares held in the trust at 30 September 2021 was $8.8 million (2020: $21.5 million). These shares are held at cost as treasury shares and deducted from shareholders' equity. 95,855 shares were acquired by the trust during the period for $4.3 million.

159,482 (2020: 107,714) shares were used to satisfy awards following the vesting of shares relating to the 2010 Performance Share Plan. 1,874 (2020: 1,753) ordinary shares of £1 each were awarded in relation to the annual incentive plan.

5.6 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 $7.7 million of shareholders funds (2020: $5.5 million).

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 $4.4 million (2020: $3.4 million) 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.

Dividend cover

	2021 $ cents	2020 $ cents
Interim dividend	14.3	11.0
Final dividend	30.6	23.5
Total dividend	44.9	34.5
Basic earnings per share – continuing operations	(79.9)	12.5
Dividend cover ratio	(1.8) times	0.4 times

Section 6 – Key management and employee benefits

Recruiting and retaining the right people is key to the success of the business. The remuneration policies in place are aimed at ensuring this is possible and to celebrate and reward the contribution that the Group's employees make to the performance of the Group.

The following pages include disclosures on wages and salaries and share option schemes which allow employees of the Group to take an equity interest in the Group.

This section also includes full disclosures in relation to both the U.K. defined benefit scheme which was closed to future accrual of benefit in 2009, and the contributions made to current defined contribution schemes.

6.1 Employees

The total remuneration and associated costs incurred during the year, in relation to both continuing and discontinued operations, were:

	2021 $m	2020 $m
Wages and salaries	63.0	67.1
Social security costs	5.6	7.1
Other pension costs	2.9	2.7
U.S. healthcare costs	5.8	5.7
Share-based payments (note 6.3)	0.7	2.3
	78.0	84.9

Detailed disclosures of Directors' remuneration and share options, including disclosure of the highest paid Director, are given on page 87.

The average monthly number of employees (including Executive Directors) during the year was:

	2021 Number	2020 Number
By reporting segment		
Avon Protection	1,043	820
milkrite | InterPuls	–	273
	1,043	1,093

At the end of the financial year, the total number of employees in the Group was 1,057 (2020: 870).

Key management compensation

	2021 $m	2020 $m
Salaries and other employee benefits	3.3	3.7
Post employment benefits	0.2	0.1
Share-based payments	1.5	1.8
	5.0	5.6

The key management compensation above includes the executive Directors plus 13 (2020: 11) others who were members of the Group Executive during the year.

6.2 Pensions and other retirement benefits

Defined contribution pension scheme

The charge in respect of defined contribution pension schemes was $2.9 million (2020: $2.7 million).

Notes to the Group Financial Statements continued

For the year ended 30 September 2021

Section 6 – Key management and employee benefits continued

6.2 Pensions and other retirement benefits continued

Defined benefit pension scheme

Retirement benefit assets and liabilities can be analysed as follows:

	2021 $m	2020 $m
Net pension liability	68.3	79.6

Full disclosures are provided in respect of the U.K. defined benefit pension scheme below.

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 assets of the plan are held in separate trustee administered funds and are invested by professional investment managers. The Trustee is Avon Rubber Pension Trust Limited, the Directors of which are members of the plan. Three of the Directors are appointed by the Company and two are elected by the members.

The funding of the plan is based on regular actuarial valuations. The most recent full actuarial valuation of the plan was carried out at 31 March 2019 when the market value of the plan's assets was £335.8 million. The fair value of those assets represented 83% of the value of the benefits which had accrued to members, after allowing for future increase in pensions.

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.

The Group made two additional one-off payments to the fund during the prior year in addition to the normal deficit recovery payments. A payment of $0.4 million was made in relation to additional past service costs recognised in 2019 and a one-off additional funding contribution of $25.6 million was made from the proceeds of the divestment of the milkrite | InterPuls business.

The defined benefit plan exposes the Group to actuarial risks such as longevity risk, inflation risk and investment risk.

The Directors have confirmed no additional liability is required to be recognised as a consequence of minimum funding requirements. The trustees have no rights to wind up the scheme or improve benefits without Company consent.

An updated actuarial valuation for IAS 19 (revised) purposes was carried out by an independent actuary at 30 September 2021 using the projected unit credit method.

Movement in net defined benefit liability

	Defined benefit obligation		Defined benefit asset		Net defined benefit liability	
	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
At 1 October	(526.3)	(496.6)	446.7	430.0	(79.6)	(66.6)
Included in profit or loss						
Administrative expenses	(1.2)	(0.9)	–	–	(1.2)	(0.9)
Past service cost	–	–	–	–	–	–
Net interest cost	(8.6)	(8.8)	7.3	7.8	(1.3)	(1.0)
	(9.8)	(9.7)	7.3	7.8	(2.5)	(1.9)
Included in other comprehensive income						
Remeasurement (loss)/gain:						
– Actuarial (loss)/gain arising from:						
– Demographic assumptions	(0.4)	(6.0)	–	–	(0.4)	(6.0)
– Financial assumptions	3.6	(7.7)	–	–	3.6	(7.7)
– Experience adjustment	7.3	(11.3)	–	–	7.3	(11.3)
– Return on plan assets excluding interest income	–	–	5.7	(11.7)	5.7	(11.7)
	10.5	(25.0)	5.7	(11.7)	16.2	(36.7)
Other						
Contributions by the employer	–	–	2.9	27.8	2.9	27.8
Net benefits paid out	24.5	21.9	(24.5)	(21.9)	–	–
FX gain/(loss)	(33.6)	(16.9)	28.3	14.7	(5.3)	(2.2)
At 30 September	(534.7)	(526.3)	466.4	446.7	(68.3)	(79.6)

Plan assets

The fair value of the assets of the pension scheme analysed by asset category are shown below.

	2021 $m	2020 $m
Equities and other securities	180.7	158.6
Liability Driven Investment	122.9	122.5
Secured income fund	69.5	63.9
Infrastructure fund	67.6	66.8
Cash	25.7	34.9
Total fair value of assets	466.4	446.7

Equity securities are valued using quoted prices in active markets where available. The Liability Driven Investment (LDI) comprises an investment in a level 2 pooled investment vehicle which combines a series of LIBOR-earning cash deposits combined with contracts to hedge interest rate and inflation risk. The LDI is valued using a Net Asset Value published on the Irish Stock Exchange.

$194.8 million (2020: $173.0 million) of the remaining investments are classified as level 3 within the fair value hierarchy. Holdings unquoted securities are valued at fair value which is typically the Net Asset Value provided by the fund administrator at the most recent quarter end. Holdings in the infrastructure fund are valued by an independent valuer using a model-based valuation such as a discounted cash flow approach.

The significant assumptions used in the valuation are the discount rate and the expected cash flows, both of which are subject to estimation uncertainty.

The Avon Rubber Defined Benefits Pension Scheme has an investment strategy which is targeted at maximising investment returns with a low risk strategy which still represents a prudent approach to meeting the Plan's liabilities and ensuring that members benefits are protected. The strategy considers the need for appropriate asset class diversification to balance the risks and rewards across a range of alternative asset classes. The investments held by the pension scheme include both quoted and unquoted securities, the latter which by their nature involve assumptions and estimates to determine their fair value. Where there isn't an active market for the unquoted securities the fair value of these assets are estimated by the pension trustees based on advice received from the investment manager whilst also using any available market evidence of any recent transactions for an identical asset. The target weightings under the current asset allocation strategy are 40% to matching investments, 50% to cash flow driven investments and 10% to return-seeking investments.

Actuarial assumptions

The main financial assumptions used by the independent qualified actuaries to calculate the liabilities under IAS 19 (revised) are set out below:

	2021 % p.a.	2020 % p.a.
Inflation (RPI)	3.55	3.00
Inflation (CPI)	2.75	2.10
Pension increases post August 2005	2.30	2.20
Pension increases pre August 2005	3.40	2.95
Discount rate for scheme liabilities	2.00	1.55
Base mortality	100% of S2NA tables, based of members' year of birth	100% of S2NA tables, based of members' year of birth
Future improvements in longevity	CMI 2020 projections with a long-term trend of 1.50% p.a.	CMI 2019 projections with a long-term trend of 1.50% p.a.

Notes to the Group Financial Statements continued

For the year ended 30 September 2021

Section 6 – Key management and employee benefits continued

6.2 Pensions and other retirement benefits continued

Changes in assumptions

At 30 September 2021, the methodology for calculating the discount rate has been refined to include longer duration corporate bonds. The impact of this change in methodology reduced the year-end defined benefit obligation by approximately $8.1 million.

The conclusion of the joint consultation between the U.K. Government and the U.K. Statistics Authority in November 2020 was that RPI is intended to be aligned with CPIH from February 2030 and therefore the margin between RPI and CPI will reduce over time. As a result, the Company has reduced the long-term gap between RPI and CPI by 10 basis points (from 0.9% to 0.8%), compared with the prior year. The impact of this change in methodology when setting the CPI assumption increased the year-end defined benefit obligation by approximately $1.4 million.

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience.

The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:

	2021	2020
Male	21.7	21.7
Female	23.8	23.7

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date is as follows:

	2021	2020
Male	23.4	23.4
Female	25.6	25.5

No adjustments have been to mortality assumptions at year end to reflect the potential effects of COVID-19 as the actual plan experience is not yet available and as it is too soon to make a judgement on the impact of the pandemic on future mortality improvements. The mortality experience analysis for the schemes will be carried out as a part the next full actuarial valuation.

Sensitivity analysis

	Defined benefit obligation Increase/(decrease) $m
Inflation (0.1% increase)	6.1
Discount rate for scheme liabilities (0.1% increase)	(8.1)
Future mortality (one year increase)	25.3

The above sensitivity analysis shows the impact on the defined benefit obligation only, not the net pension liability as it does not take into account any impact on the asset valuation. Each sensitivity analysis disclosed in this note is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur.

6.3 Share-based payments

The Group operates an equity-settled share-based performance share plan (PSP). Details of the plan are set out in the Remuneration Report, section 'Long-Term Incentive Plan' on page 83. An expense of $0.7 million (2020: $2.2 million) was recognised in the year relating to share-based payments.

The table below summarises the movements in the number of share options outstanding for the Group, all of which are nil cost options:

	Number of options 2021	Number of options 2020
Outstanding at 1 October	423	491
Forfeited during the year	(13)	(80)
Exercised during the year	(159)	(108)
Granted during the year	121	120
Outstanding at 30 September	372	423

The weighted average remaining contractual life of outstanding share options is 14 months (2020: 10 months). All the share options that vested in the year vested on 13 January 2021 at a share price of $47.74 (£35.02).

A Monte Carlo simulation was used to calculate the fair value of awards granted that are subject to a Total Shareholder Return performance condition. The fair value of other awards was calculated as the market price of the shares at the date of grant reduced by the present value of the dividends expected to be paid over the vesting period. The principal assumptions used were:

	2021	2020
Weighted average fair value ($)	16.84	24.46
Key assumptions used:		
Closing share price at date of grant ($)	43.08	27.12
Expected volatility (%)	36.7	31.2
Risk-free interest rate (%)	–	0.3
Expected option term (yrs.)	2.8	2.7
Dividend yield (%)	–	–

Volatility is estimated based on actual experience over the last three years.

Section 7 – Other

7.1 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

Notes to the Group Financial Statements continued

For the year ended 30 September 2021

Section 7 – Other continued

7.1 Provisions for liabilities and charges continued

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 ($0.3 million), provisions released as a result of the divestment of the milkrite | InterPuls business ($0.8 million), and provisions created on the acquisition of the Helmets & Armor business ($0.8 million), and in respect of other sites $0.3 million. 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 $25.0 million depending on the outcome of certain tenders which were pending at the acquisition date and the level of sales which were generated on these contracts if secured. At acquisition the fair value of the contingent consideration was recognised as $20.0 million based on the expected value and timing of those payments after applying a discount rate of 12% to reflect the risk in the cash flows at that date.

The contract that triggered the contingent consideration was awarded shortly after the acquisition date and an initial order has subsequently been received resulting in the first payment of $3.4 million being made in 2020.

At the balance sheet date, the remaining contingent consideration has a fair value of $6.0 million, 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 $15.7 million in the year is due to reduced expectations of the timing and amount of orders that will arise under this contract ($14.9 million), and an increase to the discount rate applied to expected future payments ($0.8 million). The range of possible outcomes could result in additional payments between $3.2 million and $21.6 million.

7.2 Acquisitions and 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 $132.0 million, being the $130.0 million initial consideration and purchase price adjustments of $2.0 million reflecting the cash and working capital position at close. The net assets acquired had a book value of $22.3 million before fair value adjustments.

Set out below is an analysis of the assigned fair values of the assets acquired and liabilities assumed relating to this acquisition:

	Fair value $m
Customer relationships	28.2
Brand	10.4
Other intangible assets	13.1
Property, plant and equipment	8.6
Inventories	12.2
Trade and other receivables	5.8
Cash	1.1
Lease liability	(3.1)
Trade and other payables	(2.6)
Net assets acquired	73.7
Goodwill	58.3
Total consideration	132.0
Initial cash consideration	130.0
Post completion working capital adjustment	0.9
Cash acquired	1.1
Total consideration	132.0

Goodwill of $58.3 million was recognised in respect of this acquisition, representing the amount paid for future sales growth from both new customers and new products, operating cost synergies and employee know-how. 100% of the value of goodwill is expected to be deductible for tax purposes.

From the date of acquisition to 30 September, Team Wendy generated $41.0 million of revenue (including $0.7 million from other Group companies) and reported an operating profit of $4.6 million. The operating profit is stated after amortisation of acquired intangibles of $4.0 million and expensing the $2.4 million inventory fair value step up following the sell through of the acquired inventory. Had Team Wendy been acquired on the first day of the financial year, then estimated contribution to revenue would have been $44.7 million and operating profit of $5.0 million.

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

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

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

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

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

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

Notes to the Group Financial Statements continued

For the year ended 30 September 2021

Section 7 – Other continued

7.2 Acquisitions and divestments continued

Divestment – milkrite | InterPuls business

In September 2020, the Group disposed of milkrite | InterPuls to DeLaval Holding BV for a cash consideration of $227.3 million 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

7.3 Other financial commitments

	2021 $m	2020 $m
Capital expenditure committed	2.8	1.0

Capital expenditure committed represents the amount contracted in respect of property, plant and equipment at the end of the financial year for which no provision has been made in the financial statements.

7.4 Group undertakings

	Registered Office Address	Activity	Country in which incorporated
Held by Parent Company			
Avon Polymer Products Limited	Hampton Park West, Melksham, SN12 6NB, U.K.	The manufacture and distribution of respiratory protection systems	U.K.
Avon Protection Holdings Limited	Hampton Park West, Melksham, SN12 6NB, U.K.	Investment holding company	U.K.
Avon Rubber Pension Trust Limited	Hampton Park West, Melksham, SN12 6NB, U.K.	Pension fund trustee	U.K.
Held by Group undertakings			
Avon Protection Systems, Inc.	503 8th St, Cadillac, MI 49601, United States	The manufacture and distribution of respiratory and ballistic protection systems	U.S.
Avon Rubber & Plastics, Inc.	503 8th St, Cadillac, MI 49601, United States	Investment holding company	U.S.
Avon Protection Ceradyne, LLC	4000 Barranca Parkway, Suite 100, Irvine, CA 92604, United States	The manufacture and distribution of ballistic protection systems	U.S.
Team Wendy LLC	17000 St Clair Ave, Cleveland, OH 44110, United States	The manufacture and distribution of helmet systems	U.S.
Avon Technologies Limited	Hampton Park West, Melksham, SN12 6NB, U.K.	Dormant company	U.K.
Avon Protection U.K. Limited	Hampton Park West, Melksham, SN12 6NB, U.K.	Dormant company	U.K.

Shareholdings are ordinary shares and all undertakings are wholly owned by the Group and operate primarily in their country of incorporation. All companies have a year ending in September. Avon Polymer Products Limited and Avon Protection Holdings Limited are exempt from the requirement to file audited accounts by virtue of Section 479A of the Companies Act 2006 ('the Act'). All remaining U.K. subsidiaries are exempt from the requirement to file audited accounts by virtue of Section 480 of the Act.

7.5 Related party transactions

Except in respect of the defined benefit pension scheme there were no related party transactions during the year or outstanding at the end of the year (2020: $nil). Transactions with the defined benefit pension scheme are disclosed in note 6.2. Key management compensation is disclosed in note 6.1.

7.6 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 on the basis that the product was in its current condition for testing at the reporting date. 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 $45.1 million in respect of assets relating to the armor business acquired from 3M as part of the ballistic protection acquisition. In addition, inventory provisions of $1.7 million were recognised against VTP ESAPI armor materials. Offsetting these charges, a gain of $15.7 million was recognised to reduce the net present value of the contingent consideration payable to 3M as a result of the reduced revenue expectations from the DLA ESAPI body armor contract.

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 to $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.

Parent Company Balance Sheet

At 30 September 2021

	Note	2021 £m	2020 £m
Assets			
Non-current assets			
Tangible assets	4	4.5	3.8
Intangible assets	5	–	0.8
Investments in subsidiaries	6	191.0	113.7
Deferred tax assets	7	2.5	2.8
		198.0	121.1
Current assets			
Trade and other receivables	8	2.0	58.3
Cash and cash equivalents		5.2	73.5
		7.2	131.8
Liabilities			
Current liabilities			
Borrowings	11	0.5	31.5
Trade and other payables	9	7.2	23.2
		7.7	54.7
Net current (liabilities)/assets		(0.5)	77.1
Non-current liabilities			
Borrowings	11	5.4	5.9
Provisions for liabilities and charges	10	1.5	1.5
		6.9	7.4
Net assets		190.6	190.8
Shareholders' equity			
Ordinary shares	13	31.0	31.0
Share premium account		34.7	34.7
Capital redemption reserve		0.5	0.5
Retained earnings		124.4	124.6
Total equity		190.6	190.8

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account. The profit for the Company for the year was £12.6 million (2020: profit of £58.5 million).

These financial statements on pages 160 to 168 were approved by the Board of Directors on 14 December 2021 and signed on its behalf by:

Paul McDonald
Chief Executive Officer

Nick Keveth
Chief Financial Officer

Parent Company Statement of Changes in Equity

For the year ended 30 September 2021

	Note	Share capital £m	Share premium £m	Capital redemption reserves £m	Hedging reserve £m	Retained earnings £m	Total equity £m
At 30 September 2019		31.0	34.7	0.5	(0.7)	70.2	135.7
Profit for the year	1	–	–	–	–	58.5	58.5
Dividends paid	2	–	–	–	–	(7.0)	(7.0)
Own shares acquired	13	–	–	–	–	–	–
Fair value of share-based payments	13	–	–	–	–	1.8	1.8
Deferred tax relating to employee share schemes	7	–	–	–	–	1.1	1.1
Cash flow hedges		–	–	–	0.9	–	0.9
Deferred tax relating on cash flow hedges	7	–	–	–	(0.2)	–	(0.2)
At 30 September 2020		31.0	34.7	0.5	–	124.6	190.8
Profit for the year	1	–	–	–	–	12.6	12.6
Dividends paid	2	–	–	–	–	(8.7)	(8.7)
Own shares acquired	13	–	–	–	–	(3.1)	(3.1)
Fair value of share-based payments	13	–	–	–	–	0.4	0.4
Deferred tax relating to employee share schemes	7	–	–	–	–	(1.4)	(1.4)
At 30 September 2021		31.0	34.7	0.5	–	124.4	190.6

Parent Company Accounting Policies

For the year ended 30 September 2021

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

- presentation of a cash flow statement and related notes (IAS 7)
- comparative period reconciliations for share capital and intangible and tangible fixed assets (paragraph 38, IAS 1)
- transactions with wholly owned subsidiaries (IAS 24)
- capital management (paragraph 134–136, IAS 1)
- share-based payments (paragraph 45(b) and 46 to 52, IFRS 2)
- financial instruments (IFRS 7)
- compensation of key management personnel (paragraph 17, IAS 24)
- fair value measurement (paragraph 91–99, IFRS 13)
- leases (paragraph 90–93, IFRS 16)
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 18A of IAS 24 Related Party Disclosures

Where required, equivalent disclosures are given in the Group financial statements.

Foreign currencies

The Company's functional currency is sterling as this is the currency of the primary economic environment in which the Company operates. Foreign currency transactions are recorded at the exchange rate ruling on the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the retranslation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Pensions

The Group operated a contributory defined 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 scheme is closed to new entrants and was closed to future accrual of benefits from 1 October 2009. Scheme assets are measured using market values, while liabilities are measured using the projected unit method. One of the Company's subsidiaries, Avon Polymer Products Limited is the employer that is legally responsible for the scheme and the pension obligations are included in full in its accounts.

No asset or provision has been reflected in the Company's balance sheet for any surplus or deficit arising in respect of pension obligations.

The Company also provides pensions by contributing to defined contribution schemes. The charge in the profit and loss account reflects the contributions paid and payable to these schemes during the period. Full disclosures of the U.K. pension schemes have been provided in the Group financial statements.

Share-based payment

The Company operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Intangible assets

Computer software is included in intangible assets at cost and amortised over its estimated life of three to seven years.

Impairment charges are made if there is significant doubt as to the sufficiency of future economic benefits to justify the carrying values of the intangible assets based upon discounted cash flow projections using an appropriate risk weighted discount factor.

Plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any recognised impairment losses.

Costs include the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use including any qualifying finance expenses.

Depreciation is provided estimated to write down the depreciable amount of relevant assets by equal annual instalments over their estimated useful lives.

In general, the lives used are:

- Leasehold property – period of lease agreement

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated net realisable value. Gains and losses on disposal are determined by comparing proceeds with carrying amounts.

Leases

Right of use assets and lease liabilities are recognised at the commencement date of the contract for all leases conveying the right to control the associated asset for a period of time.

The right of use assets are initially measured at cost, which comprises the initial measurement of the lease liability plus an estimate of dilapidation provisions (note 11) where required. Subsequently the right of use assets are measured at cost less accumulated depreciation, any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

Depreciation is calculated on a straight-line basis over the life of the lease. In general the lives used are:

- Leasehold property – period of the lease

The lease liability is initially measured at the present value of the lease payments due over the life of the lease. The lease payments are discounted at the rate implicit in the lease or if that is not readily determined using the Company's incremental borrowing rate.

The lease term is determined with reference to any non-cancellable period of lease contracts plus any periods covered by an option to extend/terminate the lease if it is considered reasonably certain that the option will/will not be exercised. In concluding whether or not it is reasonably certain an option will be exercised for new leases management has considered the three-year strategic outlook for the Group and other operational factors.

Subsequently the lease liability is measured by increasing the carrying value to reflect interest on the liability and reducing the carrying value to reflect lease payments made.

The carrying value of lease liabilities and associated assets will be re-measured to reflect any changes to the lease or other assumptions applied.

The Company is a lessee and does not act as lessor

Investments in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

Deferred taxation

Because of the differences between accounting and taxable profits and losses reported in each period, temporary differences arise on the amount certain assets and liabilities are carried at for accounting purposes and their respective tax values. Deferred tax is the amount of tax payable or recoverable on these temporary differences.

Deferred tax liabilities arise where the carrying amount of an asset is higher than the tax value (more tax deduction has been taken). This can happen where the Company invests in capital assets, as governments often encourage investment by allowing tax depreciation to be recognised faster than accounting depreciation. This reduces the tax value of the asset relative to its accounting carrying amount. Deferred tax liabilities are generally provided on all taxable temporary differences. The periods over which such temporary differences reverse will vary depending on the life of the related asset or liability.

Deferred tax assets arise where the carrying amount of an asset is lower than the tax value (less tax benefit which has been taken). Deferred tax assets are recognised only where the Company considers it probable that it will be able to use such losses by offsetting them against future taxable profits.

However the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is calculated using the enacted or substantively enacted rates that are expected to apply when the asset is realised or the liability is settled.

Trade and other receivables

Trade and other receivables are classified as measured at amortised cost. The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised costs. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, highly liquid interest-bearing securities with maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. They are initially recognised at fair value and subsequently held at amortised cost.

Parent Company Accounting Policies continued

For the year ended 30 September 2021

Provisions

Provisions are recognised when:

- the Company has a legal or constructive obligation as a result of a past event
- it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated

Where there are a number of similar obligations, for example where a warranty has been given, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently stated at amortised cost. Borrowing costs are expensed using the effective interest method.

Dividends

Final dividends are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by shareholders, while interim dividends are recognised in the period in which the dividends are paid.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases its own share capital (treasury shares) through employee share ownership trusts, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from shareholders' funds until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in shareholders' funds.

Notes to the Parent Company Financial Statements

For the year ended 30 September 2021

1 Parent Company

As a Consolidated Statement of Comprehensive Income is published, a separate profit and loss account for the Parent Company is omitted from the accounts by virtue of section 408 of the Companies Act 2006. The Parent Company's profit for the financial year was £12.6 million (2020: £58.5 million).

The audit fee in respect of the Parent Company is set out in note 2.5 to the Group financial statements.

2 Dividends

Details of the Company's dividends are set out in note 5.6 to the Group financial statements.

3 Employees

The total remuneration and associated costs during the year were:

	2021 £m	2020 £m
Wages and salaries	4.6	5.0
Social security costs	0.7	0.5
Other pension costs	0.2	0.2
Share-based payments	0.5	1.4
	6.0	7.1

Detailed disclosures of Directors' remuneration and share options, including disclosure of the highest paid Director, are given on page 87 to 90.

The average monthly number of employees (including Executive Directors) during the year was 56 (2020: 44), all of whom were classified as administrative staff.

4 Tangible assets

	Right of use assets £m
Cost	
At 1 October 2020	9.9
Additions	0.9
At 30 September 2021	10.8
Depreciation charge	
At 1 October 2020	6.1
Charge for the year	0.2
At 30 September 2021	6.3
Net book value	
At 30 September 2021	4.5
At 30 September 2020	3.8

Right of use assets relate to the Group's leased properties.

Notes to the Parent Company Financial Statements continued

For the year ended 30 September 2021

5 Intangible assets

	Computer software £m
Cost	
At 1 October 2020	1.0
Transfer to Group company	(1.0)
At 30 September 2021	–
Amortisation charge	
At 1 October 2020	0.2
Transfer to Group company	(0.2)
At 30 September 2021	–
Net book value	
At 30 September 2021	–
At 30 September 2020	0.8

6 Investments in subsidiaries

	£m
Cost and net book value	
At 1 October 2020	113.7
Additions	77.3
Disposals	–
At 30 September 2021	191.0

During the year the Company made an additional cash investment in Avon Protection Holdings Limited of £77.3 million to support the funding of the Team Wendy acquisition.

The investments consist of a 100% (unless indicated as otherwise) interest in the following subsidiaries:

	Principal activity	Registered office	Country in which incorporated
Avon Polymer Products Limited	The manufacture and distribution of respiratory protection systems	Hampton Park West, Melksham, SN12 6NB, U.K.	U.K.
Avon Protection Holdings Limited	Investment company	Hampton Park West, Melksham, SN12 6NB, U.K.	U.K.
Avon Rubber Pension Trust Limited	Pension Fund Trustee	Hampton Park West, Melksham, SN12 6NB, U.K.	U.K.

Details of investments held by these subsidiaries are given in note 7.4 to the Group financial statements.

7 Deferred tax assets

	Share Options £m	Accelerated capital allowances £m	Other Temporary Differences £m	Total £m
At 30 September 2019	0.9	0.1	0.4	1.4
(Charged)/credited to profit for the year	0.3	–	0.2	0.5
Charged to Other Comprehensive Income	–	–	(0.2)	(0.2)
Charged to equity	1.1	–	–	1.1
At 30 September 2020	2.3	0.1	0.4	2.8
(Charged)/credited to profit for the year	0.1	(0.1)	1.1	1.1
Charged to Other Comprehensive Income	–	–	–	–
Charged to equity	(1.4)	–	–	(1.4)
At 30 September 2021	1.0	–	1.5	2.5

8 Trade and other receivables

	2021 £m	2020 £m
Other receivables	0.2	1.7
Prepayments	1.8	1.7
Amounts owed by Group undertakings	–	54.9
	2.0	58.3

Amounts due from Group undertakings in the prior period were unsecured and interest bearing with interest rates priced on the relevant LIBOR plus a margin of 4.25–4.5%. The loans were repaid in the current year.

9 Trade and other payables

	2021 £m	2020 £m
Trade payables	0.6	1.0
Accruals	1.7	6.5
Amounts due to Group undertakings	4.9	15.7
	7.2	23.2

Amounts due to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

10 Provisions for liabilities and charges

	Property obligations £m
Balance at 30 September 2019	1.6
Provision reversed during the year	(0.1)
Balance at 30 September 2020	1.5
Provision reversed during the year	–
Balance at 30 September 2021	1.5

Analysis of total provisions	2021 £m	2020 £m
Non-current	1.5	1.5
	1.5	1.5

Provisions relate to property obligations arising in relation to leased premises of the Company which are subject to dilapidation risks and are expected to be utilised within the next 10 years. Property provisions are subject to uncertainty in respect of any final negotiated settlement of any dilapidation claims with landlords.

Notes to the Parent Company Financial Statements continued

For the year ended 30 September 2021

11 Borrowings

The Group has a revolving credit facility with a total commitments of $200 million across six lenders with an accordion option of an additional $50 million. Further details regarding credit risks are disclosed in note 5.4 to the Group financial statements.

	2021 £m	2020 £m
Current		
Bank loans	–	31.0
Lease liabilities	0.5	0.5
Non Current		
Lease liabilities	5.4	5.9
Total borrowings	5.9	37.4

The table below presents the contractual maturity analysis in respect of lease liabilities on an undiscounted basis:

	As at 30 September 2021 £m	As at 30 September 2020 £m
In one year or less, or on demand	0.9	0.9
Two to five years	3.5	3.5
More than five years	5.3	6.2
Total lease liabilities	9.7	10.6

Lease liabilities relate to land and buildings (right of use assets) leased by the Company for its office space and manufacturing facilities of its trading subsidiaries. The leases typically run for a period of 9 years and have no extension options.

12 Share capital

Details of the Company's share capital are set out in note 5.5 to the Group financial statements.

13 Share-based payments

The Company operates an equity-settled share-based performance share plan (PSP), details of which are disclosed in note 6.3 to the Group financial statements.

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your bank manager, stockbroker, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all of your shares in Avon Protection plc (formerly known as Avon Rubber p.l.c.), please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Notice of Annual General Meeting for the year ended 30 September 2021

Notice is hereby given that the annual general meeting (AGM) of shareholders of Avon Protection plc (formerly known as Avon Rubber p.l.c.) (the 'Company') will be held at Hampton Park West, Semington Road, Melksham, Wiltshire on 28 January 2022 at 10:30am for the purposes set out below.

You will not receive a form of proxy for the AGM in the post. Instead, you will receive instructions to enable you to vote electronically and how to register to do so. You may request a hard copy proxy form directly from the registrars, Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL (telephone number: 0371 664 0300 or +44 371 664 0300 if overseas).

Ordinary business

To consider and, if thought fit, pass resolutions 1–12 (inclusive) as Ordinary Resolutions:

Resolution 1

To receive the Company's accounts and the reports of the Directors and the Auditors for the year ended 30 September 2021.

Resolution 2

To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) for the financial year ended 30 September 2021.

Resolution 3

To declare a final dividend of 30.6 U.S. cents per ordinary share as recommended by the Directors.

Resolution 4

To re-elect Paul McDonald as a Director of the Company.

Resolution 5

To re-elect Nick Keveth as a Director of the Company.

Resolution 6

To re-elect Bruce Thompson as a Director of the Company.

Resolution 7

To re-elect Chloe Ponsonby as a Director of the Company.

Resolution 8

To re-elect Bindi Foyle as a Director of the Company.

Resolution 9

To re-elect Victor Chavez CBE as a Director of the Company.

Resolution 10

To re-appoint KPMG LLP as auditor of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.

Resolution 11

To authorise the Directors to determine the auditors' remuneration.

Resolution 12

That, in accordance with sections 366 and 367 of the Companies Act 2006 ('the Act'), the Company and all its subsidiaries during the period for which this resolution has effect be and are hereby authorised, in aggregate, to:

(a) make political donations to political parties or to independent election candidates not exceeding £100,000 in total;

(b) make political donations to political organisations (other than political parties) not exceeding £100,000 in total; and

(c) incur any political expenditure not exceeding £100,000 in total,

during the period beginning with the date of the passing of this resolution and ending at the close of business on 28 December 2022 or, if sooner, the conclusion of the next AGM of the Company. For the purpose of this resolution 'political donation', 'political party', 'political organisation', 'independent election candidate' and 'political expenditure' are to be construed in accordance with sections 363, 364 and 365 of the Act.

Special business

To consider and if thought fit, pass resolution 13 as an Ordinary Resolution and resolutions 14 – 17 (inclusive) as Special Resolutions:

Resolution 13

That in accordance with section 551 of the Act, the Directors be generally and unconditionally authorised to allot Relevant Securities (as defined in the notes to this resolution) comprising equity securities (as defined by section 560 of the Act) up to an aggregate nominal amount of £10,341,097 but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange, provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date 15 months after the date of this resolution or, if earlier, the date of the next AGM of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

Notice of Annual General Meeting continued

Resolution 14

That, subject to the passing of resolution 13, the Directors be authorised to allot equity securities (as defined by section 560 of the Act) for cash under the authority conferred by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash, as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall:

(a) be limited to the allotment of equity securities or sale of treasury shares up to an aggregate nominal amount of £1,551,164; and

(b) expire on the date 15 months after the date of this resolution or, if earlier, the date of the next AGM of the Company (unless renewed, varied or revoked by the Company prior to or on that date) save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted (or treasury shares to be sold) after such expiry and the Directors may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

Resolution 15

That, subject to the passing of resolution 13, the Directors be authorised, in addition to any authority granted under resolution 14, to allot equity securities (as defined by section 560 of the Act) for cash under the authority conferred by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash, as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall:

(a) be limited to the allotment of equity securities or sale of treasury shares up to an aggregate nominal amount of £1,551,164;

(b) be used for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors have determined to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice; and

(c) expire on the date 15 months after the date of this resolution or, if earlier, the date of the next AGM of the Company (unless renewed, varied or revoked by the Company prior to or on that date) save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted (or treasury shares to be sold) after such expiry and the Directors may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

Resolution 16

That the Company be and is hereby unconditionally and generally authorised for the purpose of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of £1 each in the capital of the Company provided that:

(a) the maximum number of shares which may be purchased is 3,102,329;

(b) the minimum price (excluding expenses) which may be paid for each share is £1;

(c) the maximum price (excluding expenses) which may be paid for each ordinary share is an amount equal to the higher of:

  (i) 105% (one hundred and five per cent) of the average of the middle market quotations of the Company's ordinary shares as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which such share is contracted to be purchased;

  (ii) the value of an ordinary share calculated on the basis of the higher of the price quoted for the last independent trade of and the highest current independent bid for any number of the Company's ordinary shares on the London Stock Exchange Daily Official List at the time the purchase is agreed; and

(d) this authority shall expire on the date 15 months after the date of this resolution or, if earlier, the date of the next AGM of the Company (except in relation to the purchase of shares the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry) unless such authority is renewed prior to such time.

Resolution 17

That a general meeting of the Company (other than an AGM), may be called on not less than 14 clear days' notice.

By order of the Board

Miles Ingrey-Counter
General Counsel and Company Secretary

Explanatory notes relating to the resolutions

The Board believes that the adoption of resolutions 1 to 17 will promote the success of the Company and is in the best interests of the Company and its shareholders as a whole. The Board unanimously recommends that all shareholders should vote in favour of all the resolutions to be proposed at the AGM. Each of the Directors of the Company intends to vote in favour of all resolutions in respect of their own beneficial holdings.

Resolution 1 – Report and Accounts

The Directors are required by law to present to the AGM the accounts, and the reports of the Directors and Auditors, for the year ended 30 September 2021. These are contained in the Company's 2021 Annual Report.

Resolution 2 – Directors' Remuneration Report

This resolution seeks shareholders' approval of the Directors' Remuneration Report for the year ended 30 September 2021 contained on pages 86 to 95 of the 2021 Annual Report. As in previous years, the vote is advisory only and the Directors' entitlement to remuneration is not conditional on it being passed.

Resolution 3 – Declaration of final dividend

A final dividend can only be paid after the shareholders have approved it at a general meeting. The Directors recommend that a final dividend in respect of the financial year ended 30 September 2021 of 30.6 U.S. cents be paid. Subject to approval, the final dividend will be paid on 11 March 2022 to eligible shareholders on the Company's register of members at close of business on 11 February 2022. The dividend will be converted into pound sterling for payment at the prevailing exchange rate prior to payment. The exchange rate will be notified to shareholders through a Regulatory News Service in advance of the dividend payment date.

Resolutions 4 to 9 – Re-appointment of Directors

Each member of the Board has offered himself/herself for election or re-election in accordance with best practice corporate governance standards. The Board unanimously recommends that they each be elected or re-elected as Directors of the Company. The Chair confirms that each of the Non-Executive Directors who are seeking re-election at the AGM continues to be an effective member of the Board and to demonstrate their commitment to their role. Chloe Ponsonby in her capacity as Senior Independent Director, has confirmed that Bruce Thompson is an effective Chair and demonstrates commitment to his role as Chair.

Biographical details for each Director are set out on pages 62 and 63 of the 2021 Annual Report.

Resolutions 10 and 11 – Re-appointment of auditor and authorisation for the Directors to set the auditor's remuneration

The Company is required to appoint an auditor at each general meeting at which its accounts are presented. The Board is recommending to shareholders the re-appointment of KPMG LLP as the Company's auditor for the financial year commencing on 1 October 2022.

Resolution 12 – Authority to make political donations

The Act requires companies to obtain shareholders' authority before they can make donations to political organisations or incur political expenses. It is not proposed or intended to alter the Company's policy of not making political donations, within the normal meaning of that expression. However, this resolution is proposed to ensure that the Company and its subsidiaries do not, because of any uncertainty as to the bodies or activities covered by the Act, unintentionally commit any technical breach of the Act by making political donations. Resolution 12, if passed, will give the Board authority to make political donations until the close of business on 28 December 2022 or, if sooner, the next AGM of the Company (when the Board intends to renew this authority), up to an aggregate of £100,000 for the Company and its subsidiary companies.

Resolution 13 – Directors' authority to allot

This resolution deals with the Directors' authority to allot Relevant Securities in accordance with section 551 of the Act. The authority granted at the last AGM is due to expire at the conclusion of this year's AGM and accordingly it is proposed to renew this authority.

This resolution will, if passed, authorise the Directors to allot Relevant Securities up to a maximum nominal amount of £10,341,097, which is equal to approximately one-third of the issued share capital of the Company as at 14 December 2021 in accordance with institutional shareholder guidelines. The Directors have no present intention of exercising this authority. The authority granted by this resolution will expire on the date 15 months after the date of this resolution or, if earlier, the date of the next AGM of the Company.

Resolution 13 – Directors' authority to allot continued

In this resolution, Relevant Securities means:

(a) shares in the Company other than shares allotted pursuant to:
   - an employee share scheme (as defined by section 1166 of the Act);
   - a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or
   - a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security; and

(b) any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Act). References to the allotment of Relevant Securities in this resolution include the grant of such rights.

Notice of Annual General Meeting continued

Resolution 14 – General disapplication of pre-emption rights

This resolution will, if passed, give the Directors power, pursuant to the authority to allot granted by resolution 13, to allot equity securities (as defined by section 560 of the Act) or sell treasury shares for cash without first offering them to existing shareholders in proportion to their existing holdings up to a maximum nominal amount of £1,551,164 which represents approximately 5% of the Company's issued share capital as at 14 December 2021 and renews the authority given at the AGM in 2021.

The figure of 5% reflects the Pre-Emption Group 2015 Statement of Principles for the disapplication of pre-emption rights (the 'Statement of Principles'). The Directors will have due regard to the Statement of Principles in relation to any exercise of this power, in particular they do not intend to allot shares for cash on a non-pre-emptive basis pursuant to this power in excess of an amount equal to 7.5% of the total issued ordinary share capital of the Company in any rolling three-year period, without prior consultation with shareholders save as permitted in connection with an acquisition or specified capital investment as described in the notes for resolution 15.

The power granted by this resolution will expire on the date 15 months after the date of this resolution or, if earlier, the date of the next AGM of the Company.

The Directors have no present intention to exercise the authority conferred by this resolution.

Resolution 15 – Additional disapplication of pre-emption rights

This resolution seeks a further power pursuant to the authority granted by resolution 14, to allot equity securities (as defined by section 560 of the Act) or sell treasury shares for cash without first offering them to existing shareholders in proportion to their existing holdings up to a maximum nominal amount of £1,551,164 which represents approximately 5% of the Company's issued share capital as at 14 December 2021. This is in addition to the 5% referred to in resolution 14 above.

The power granted by this resolution will expire on the date 15 months after the date of this resolution or, if earlier, the date of the next AGM of the Company.

The Directors will have due regard to the Statement of Principles in relation to any exercise of this power and in particular they confirm that they intend to use this power only in connection with a transaction which they have determined to be an acquisition or other capital investment (of a kind contemplated by the Statement of Principles most recently published prior to the date of this Notice) which is announced contemporaneously with the announcement of the issue, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue.

Resolution 16 – Authority to purchase own shares

This resolution seeks authority for the Company to make market purchases of its own shares and is proposed as a special resolution. If passed, the resolution gives authority for the Company to purchase up to 3,102,329 ordinary shares of £1 each, representing approximately 10% of the Company's issued share capital as at 14 December 2021.

The resolution specifies the minimum and maximum prices which may be paid for any ordinary shares purchased under this authority. The authority will expire on the earlier of the date 15 months after the date of this resolution and the Company's next AGM. The Company purchased no shares in the period from the last AGM to 14 December 2021 under the existing authority.

The Directors have no present intention of exercising the authority to make market purchases; however, the authority provides the flexibility to allow them to do so in the future.

The Directors will exercise this authority only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase the earnings per ordinary share having regard to the intent of the guidelines of institutional investors and that such purchases are in the best interests of shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account before deciding upon this course of action. In the event of any purchase under this authority, the Directors would either hold the purchased ordinary shares in treasury or cancel them.

Bonus and incentive scheme targets for Executive Directors would not be affected by any enhancement of earnings per share following a share re-purchase.

As of 14 December 2021, there were options to subscribe outstanding over 410,609 shares, representing 1.32% of the Company's issued share capital. If the authority given by resolution 13 were to be fully exercised, these options would represent 1.47% of the Company's issued share capital after cancellation of the re-purchased shares. As of 14 December 2021, there were no warrants outstanding over shares.

Resolution 17 – Notice of Meeting

Resolution 17 is a resolution to allow the Company to hold general meetings (other than AGMs) on 14 days' notice.

Before the introduction of the Companies (Shareholders' Rights) Regulations in August 2009, the Company was able to call general meetings (other than AGMs) on 14 clear days' notice. One of the amendments that the Companies (Shareholders' Rights) Regulations 2009 made to the Act was to increase the minimum notice period for listed company general meetings to 21 days, but with an ability for companies to reduce this period back to 14 days (other than for AGMs) provided that:

(i) the Company offers facilities for shareholders to vote by electronic means; and

(ii) there is an annual resolution of shareholders approving the reduction in the minimum notice period from 21 days to 14 days.

Resolution 17 is therefore proposed as a special resolution to approve 14 days as the minimum period of notice for all general meetings of the Company other than AGMs. The approval will be effective until the Company's next AGM, when it is intended that the approval be renewed. The Company will use this notice period only when permitted to do so in accordance with the Act and when the Directors consider it appropriate to do so.

Notice of Meeting notes

The following notes explain your general rights as a shareholder and your right to attend and vote at this AGM or to appoint someone else to vote on your behalf.

1. To be entitled to vote on the business of the AGM (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the Register of Members of the Company by 6:30pm on 26 January 2022. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to vote on the business of the AGM.

2. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the AGM. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company. Whilst we welcome your attendance this year at the AGM in person, to ensure that your vote is cast should the attendance arrangements need to change, the Board strongly encourages you to exercise your vote on the business of the AGM and asks you to complete a proxy form to appoint the 'Chair of the Meeting' as your proxy.

3. In the case of joint holders, where more than one of the joint-holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).

4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.

5. You can vote either:
   - by logging on to www.signalshares.com and following the instructions;
   - you may request a hard copy form of proxy directly from the registrars, Link Group, on Tel: 0371 664 0300 (+44 371 664 0300 if overseas). Calls are charged at the standard geographical rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00–17:30, Monday to Friday excluding public holidays in England and Wales; or
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

In order for a proxy appointment to be valid, a form of proxy must be completed. In each case the form of proxy must be received by Link Group at 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL by 10:30am (GMT) on 26 January 2022.

6. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM (and any adjournment of the AGM) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

8. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear U.K. & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 10:30am (U.K. time) on 26 January 2022. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

Notice of Annual General Meeting continued

9. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear U.K. & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
10. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.
11. As at 14 December 2021 (being the latest practicable business day prior to the publication of this Notice), the Company's issued share capital consists of 31,023,292 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 14 December 2021 are 31,023,292.
12. Under Section 527 of the Act, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's financial statements (including the Auditor's Report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements and reports were laid in accordance with Section 437 of the Act (in each case) that the shareholders propose to raise at the relevant meeting. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM for the relevant financial year includes any statement that the Company has been required under Section 527 of the Act to publish on a website.
13. The following documents are available for inspection from the date of this Notice until the conclusion of the AGM:
    - copies of the Directors' letters of appointment or service contracts; and
    - a copy of the current Articles of Association of the Company.

Due to COVID-19, we ask that any persons wishing to inspect these at the Company's registered office contact the Company Secretary in advance of their visit.

Scanned copies will also be available on request from the Company Secretary.

You may not use any electronic address (within the meaning of Section 333(4) of the Act) provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

Glossary of Financial Terms and Abbreviations

Term	Definition
Adjusted basic earnings per share	Adjusted profit for the year divided by the weighted average number of shares in issue
Adjusted dividend cover	The ratio of adjusted basic earnings per share from continuing operations to the total dividend for the year
Adjusted EBITDA	Adjusted EBITDA is defined as adjusted operating profit before depreciation, amortisation and impairment of non-current assets. It excludes any effect of discontinued operations
Adjusted EBITDA margin	The ratio of Adjusted EBITDA to revenue
Adjusted operating profit	Operating profit adjusted to exclude exceptional items
Cash conversion percentage	The ratio of cash generated from operations before the effect of exceptional items, as a percentage of adjusted EBITDA
Closing order book	Orders held by the Group at the end of the year which are not yet fulfilled
Continuing operations	The segments of the Group that are expected to still be operating in the future
Discontinued operations	The segments of the Group that no longer function within the core business and which are separately disclosed within the Income Statement
Dividend cover	The ratio of basic earnings per share from continuing operations to the total dividend for the year
Dividend per share	Dividends paid/proposed, divided by the weighted average number of shares in issue
EBITDA	The Group's earnings before charging interest, tax, depreciation, amortisation and impairment of non-current assets.
Exceptional Items	Transactions are classified as exceptional items where they relate to an event that falls outside of the underlying trading activities of the business and where individually, or in aggregate, they have a material impact on the financial statements
Intellectual Property	Intangible property created by the Group through research and development, that is protected through patents, copyrights or trademarks
Net debt	Net debt is the Group's drawn bank debt, overdrafts and lease obligations net of any cash
Orders received	The orders received throughout the year and recognised as revenue together with orders in the closing order book
Return on capital employed	Adjusted operating profit as a percentage of average capital employed. Capital employed is the sum of shareholders' funds adjusted for non-current liabilities and current borrowings.
Total research and development as % of revenue	Total expenditure on research and development expressed as a percentage of revenue

Term	Explanation
50 Series	Range of masks based on the proven technology of the M50 mask system
BPS	Basis Points
CBRN	Chemical, Biological, Radiological, Nuclear
CE	CE markings indicate conformity to health and safety standards sold within the European Economic Area
DLA	Defense Logistics Agency
DOD	Department of Defense
ESAPI	Enhanced Small Arms Protective Insert
FX	Foreign Exchange
FY	Financial Year
GSR	General Service Respirator
H1/H2	First half of the financial year (October – March)/Second half of financial year (April – September)
IHPS	Integrated Head Protection System
MOD	Ministry of Defence
NATO	North Atlantic Treaty Organization
NIOSH	National Institute of Occupational Safety and Health. NIOSH approval indicates conformity to health and safety standards of products sold within North America
NSPA	The NATO Support and Procurement Agency, the executive body of the NATO Support and Procurement Organisation (NSPO, of which all 30 NATO nations are members)
PAPR	Powered Air Purifying Respirator
RoW	Rest of World
SCBA	Self-Contained Breathing Apparatus
SWAT	Special Weapons and Tactics
VTP	Vital Torso Protection

Shareholder Information

Shareholder information

As at 30 November 2021 the Company had 1,368 shareholders, of which 833 had 1,000 shares or fewer.

Financial calendar

Half year results are usually announced in May and year end results in November.

In respect of the year ended 30 September 2021 the AGM will be held on 28 January 2022 at Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB, England.

Corporate information

Registered office

Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB, England.

Registered

In England and Wales No. 32965

VAT No. GB 137 575 643

Board of Directors

Bruce Thompson (Chair and Non-Executive Director)

Paul McDonald (Chief Executive Officer)

Nick Keveth (Chief Financial Officer)

Chloe Ponsonby (Non-Executive Director)

Bindi Foyle (Non-Executive Director)

Victor Chavez CBE (Non-Executive Director)

Company secretary

Miles Ingrey-Counter

Auditor

KPMG LLP

Chartered Accountants and Statutory Auditors

Registrars and transfer office

Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL

Tel: 0371 664 0300 (+44 371 664 0300 if overseas)

(Calls are charged at the standard geographical rate and will vary by provider, lines are open 9:00am–5:30pm, excluding public holidays in England and Wales).

Financial Advisor

Rothschild & Co

Brokers

Peel Hunt LLP

Jefferies Group LLC

Financial PR

MHP Communications

Lawyer

White & Case LLP

Principal bankers

Barclays Bank PLC

Comerica Inc.

NatWest

Fifth Third

Bank of Ireland

CIC

Website

www.avon-protection-plc.com

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