# PROTECTING LIVES



**AVON PROTECTION PLC**

ANNUAL REPORT AND ACCOUNTS 2023

Company number 00032965

# PROTECTING LIVES

### WHO WE ARE

Our purpose is **Protecting Lives.** It's something everyone in this business cares passionately about.

### WHAT WE DO

Our mission is **to provide unparalleled protection for those who protect us,** giving them the confidence to tackle challenging situations and helping them get home safe.

### HOW WE DO IT

Our core beliefs are the things that are most important to us as a business and as individuals: the behaviours we want to encourage, the standards we hold ourselves to and the characteristics we display when we're at our best.

| F | I | E | R | C | E |
|---|---|---|---|---|---|
| Fearlessness | Integrity | Excellence | Resilience | Collaboration | Execution |

Together, these core beliefs spell **FIERCE** – a mnemonic that sums up how passionate we all feel about the outcome of our work.

### FINANCIAL HEADLINES

**$243.8m**
Revenue

**$21.2m**
Adjusted operating profit

**$(12.6)m**
Operating loss from continuing operations

**(48.0)c**
Basic loss per share

**40.3c**
Adjusted basic earnings per share

**29.6c**
Dividend per share

**7.0%**
Cash conversion

**1.94x**
Leverage

**$135.8m**
Closing order book

# SHAREHOLDER INFORMATION

## Shareholder information

As at 31 October 2023 the Company had 1,094 shareholders, of which 681 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 2023 the AGM will be held on 26 January 2024 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)

Jos Sclater (Chief Executive Officer)

Rich Cashin (Chief Financial Officer)

Chloe Ponsonby (Non-Executive Director)

Bindi Foyle (Non-Executive Director)

Victor Chavez CBE (Non-Executive Director)

### Company secretary

Miles Ingrey Counter

### Auditor

KPMG LLP

Chartered Accountants and Statutory Auditor

### Registrar and transfer office

Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL

Tel: 0371 664 0300 (+44 371 664 0300 if overseas)

Calls cost 10p per minute plus network extras, lines are open 8:30 am–5:30 pm, Monday to Friday excluding U.K. public holidays.

### Financial advisor

Gleacher Shacklock

### Brokers

Peel Hunt LLP

Jefferies Group LLC

### Financial PR

MHP Communications

### Lawyer

Slaughter and May

### Principal bankers

Barclays Bank PLC

Comerica Inc.

NatWest

Fifth Third

Bank of Ireland

CIC

### Website

www.avon-protection-plc.com

Avon Protection plc's commitment to sustainability is reflected in this Annual Report, which has been printed on Arena Extra White Smooth, an FSC certified material.

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# HIGHLIGHTS

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**Strategic Report**



**Governance**



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**Financial Statements**



## OUR STAR STRATEGY WILL HELP US REALISE OUR POTENTIAL

STRENGTHEN TRANSFORM REVOLUTIONISE ADVANCE

### STRENGTHEN

Strengthen the fundamentals to provide a stable platform for transformation

**Clair's story**

› Read more on page 24

### TRANSFORM

Improve efficiency and working capital turns

**Raul's story**

› Read more on page 26

### ADVANCE

Organically grow the core and scale up emerging opportunities

**Daron's story**

› Read more on page 28

### REVOLUTIONISE

Leverage innovation to drive further growth

**Henry's story**

› Read more on page 30

# OUR AIM IS FOR HEROES TO SURVIVE AND THRIVE – NO MATTER THE MISSION

## OUR VISION IS UNDERPINNED BY OUR STAR STRATEGY...

### STRENGTHEN
Strengthen the fundamentals to provide a stable platform for transformation

> Read more on page 22

### TRANSFORM
Improve efficiency and working capital turns

### ADVANCE
Organically grow the core and scale up emerging opportunities

### REVOLUTIONISE
Leverage innovation to drive further growth

## ...AND OUR COMMITMENT TO ENSURING A SUSTAINABLE FUTURE...

**Our planet**
The climate impacts the life-threatening situations in which our products and services help save lives.

> Read more on page 41

**Our supply chain**
Ensuring a continuous supply of high quality, ethically sourced raw materials and components is critical for us as a trusted partner.

**Our customers**
Our customers carry out vital work in life-threatening situations – often to protect the wider community. They can safely perform with confidence knowing that we protect with our products and services.

**Our people and communities**
Our mission is only achievable as a result of our exceptional, highly engaged colleagues

## ...WITH THE SUPPORT OF AN EFFECTIVE BUSINESS MODEL...

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

> Read more on page 16

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

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

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

## ...AND AN EMBEDDED CULTURE TO DRIVE STRATEGY DELIVERY

**F** — **Fearlessness:** We seize opportunities and take calculated risks.

**I** — **Integrity:** We do what's right, using good judgement to ensure we always do things we are proud of.

**E** — **Excellence:** We passionately strive to protect life through innovative solutions, people and processes.

**R** — **Resilience:** No matter the circumstances, we exhibit a will to win.

**C** — **Collaboration:** We believe in the power of teams, working across the business and with our customers to become stronger.

**E** — **Execution:** We have fun, are high impact and are empowered to vigorously deliver our priorities.

# OUR STRATEGIC BUSINESS UNITS

## RESPIRATORY PROTECTION

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

**$156.9m**

Revenue

**18.7%**

Adjusted operating profit margin

**501**

Number of employees

**3**

Number of sites

› Read more on page 12

## HEAD PROTECTION

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

**$86.9m**

Revenue

**(9.3)%**

Adjusted operating profit margin

**422**

Number of employees

**3**

Number of sites

› Read more on page 14

# WE HAVE STRONG FOUNDATIONS AND EXTRAORDINARY POTENTIAL

## 1. ADDRESSING INCREASING GLOBAL THREATS BY PROTECTING THE LIVES OF THOSE WHO PROTECT US

- A major supplier of integrated protective solutions to the U.S. Department of Defense and other NATO countries
- Supportive addressable markets growing at 2-4% CAGR
- Global instability and current conflicts driving demand and emphasising the importance of soldier and first responder protection

## 2. LEADING TECHNOLOGY

- Cumulative R&D of $34 million over the last 3 years
- World leading, innovative protection provided by our helmets, respirators and rebreathers
- Uniquely positioned to lead future technology programmes for head and respiratory protection
- Deep material science, product design and manufacturing capability, aligned to customer priorities and future threats
- Decades of experience protecting the lives of NATO militaries and first responders

## 3. RESILIENT COMPETITIVE ADVANTAGE

- Platform lifecycles support deep customer partnerships and long-term revenue visibility
- Recertification and extensive qualification requirements provide strong barriers to entry
- Brands represents trust and reliability - long-term reputation for product excellence essential given high cost of failure
- Extensive installed product base and broad accessory offering provides stable after-market revenue

"

**THROUGH OUR STAR STRATEGY, WE HAVE DEVELOPED STRATEGIC INITIATIVES WITH A FOCUS ON PROTECTING MORE LIVES THROUGH OUR INNOVATIVE PRODUCTS AND DELIVERING IMPROVED MARGINS, CASH FLOW AND RETURNS ON CAPITAL FOR OUR SHAREHOLDERS.**

### 4. WELL POSITIONED FOR ABOVE MARKET GROWTH

- Organic revenue growth underpinned by strong positions on multi-year programmes
- Sole sourced or primary sourced on key programmes of record
- Long history of partnering with customers on break-through technology
- Strong channel to market allows for rapid commercialisation of new technology

### 5. TRANSFORMATION DRIVING ACCELERATED FINANCIAL AND ESG PERFORMANCE

- Robust plan to deliver mid-teens margins, improved ROIC and strong cash conversion
- An innovative culture with a well invested asset base and engaged workforce driving future growth
- Disciplined approach to capital allocation
- Focused on delivering responsibly for all stakeholders; new transformation plan and five-year targets reducing scrap and $CO_2$ emissions

## CAPITAL ALLOCATION POLICY FOCUSED ON EARNINGS RECOVER AND DRIVING SUSTAINABLE TOP-LINE GROWTH

Focus on **disciplined capital allocation** in support of growth in core markets and **maximisation of returns**

| | | |
|---|---|---|
| Transformation initiatives and organic investment in R&D | Deliver strong margin progression and revenue growth | |
| Reduce debt | Increase balance sheet flexibility and minimise interest cost to allow compounding of returns | **1-2x** net debt – EBITDA |
| Sustainable through-cycle dividend payout ratio | 2.5-3.0x EPS cover through cycle | |
| Inorganic investment in bolt-ons | Only where value-creative and supportive of strategy acceleration | |

CHAIR'S STATEMENT

# TOGETHER WE PUT OUR PEOPLE FIRST

**"I WOULD LIKE TO START BY THANKING OUR PEOPLE WHO HAVE WORKED HARDER THAN EVER THIS YEAR TO DELIVER SIGNIFICANT PROGRESS ACROSS A NUMBER OF IMPORTANT AREAS.**

It has been a busy year of change across a number of important areas We have refreshed and strengthened the Executive management team, led by Jos Sclater who joined the Board as CEO in January 2023, working alongside Rich Cashin, who joined as CFO in March 2022. Under their leadership, the Group has been reorganised into two Strategic Business Units, Respiratory Protection and Head Protection, with respective business Presidents appointed to the Executive Committee. This approach has led to increased accountability and ownership of delivery in both business units and has improved the ability of the Board to both oversee and scrutinise performance. Following the reorganisation, the Board has been excited to oversee the development and launch of our new STAR strategy, which is already delivering encouraging results, together with a refreshed mission, vision and core beliefs for the Group.

## Vision, mission and core beliefs

Avon Protection is a world leader in respiratory and head protection solutions. Over the last six months, we have engaged our team to help us refresh our vision, mission and core beliefs, using feedback and ideas from every part of the business to define the things that really matter to us all – and the kind of business we want to be.

We are an organisation made up of over 900 people, in five main locations around the U.K. and North America, coming from a wide variety of backgrounds. The thing we all have in common – the golden thread that binds us together – is our shared purpose of Protecting Lives. We provide unparalleled protection for those who protect us That is something everyone in this business cares passionately about. It is why we come to work – and it is what motivates us, every day, to do the best work we can.

## Strategy and results

Our new vision and mission are underpinned by the STAR strategy which was developed by a broad-based team of employees from across the Group. Our STAR strategy is designed to drive value creation and is made up of the following four key elements. Strengthen: Strengthen the fundamentals to provide a stable platform for transformation; Transform: Improve efficiency and working capital turns; Advance: Organically grow the core and scale up emerging opportunities; Revolutionise: Leverage innovation to drive further growth.

The strategy is designed to improve financial performance over the next five-year period through growing revenues, margin expansion, improved return on invested capital and strong cash conversion while advancing our sustainability priorities of protecting lives and reducing scrap waste and carbon emissions. More information can be found on page 22

We've started the process to reposition the business as a high performing defence company focused on protecting the lives of those who protect us. I am pleased with the rapid progress made in a limited time but it is the start of a journey. Our results this year are in-line with our expectations with an order book to support growth in 2024. We saw strong revenue growth in Head Protection following the commencement of deliveries of the Next Generation Integrated Head Protection System (NG IHPS) helmets, which partially offset expected weaker demand in Respiratory Protection. It will take some time to get us where we want to be but I am increasingly confident in the medium-term outlook

## Dividend

The Board is recommending a final dividend of 15.3 cents per share which, together with the 14.3 cents per share interim dividend, gives a total dividend for the year of 29.6 cents. The Board has reviewed our dividend policy in line with our capital allocation policy. More information can be found on page 158. From a dividend perspective we believe that an appropriate level of distribution is for dividend payments to be between 2.5 and 3x covered by EPS through the cycle.

**STRATEGY IN ACTION**

# TOGETHER WE STRENGTHEN

## CREATION OF TWO STRATEGIC BUSINESS UNITS

We have moved fast to develop our new STAR strategy and took meaningful steps forward in 2023, focusing initially on strengthening the fundamentals with quick wins to build short-term momentum. This included implementing a new operating model with two Strategic Business Units (SBUs) called Respiratory Protection and Head Protection.

Each SBU has its own focused leadership team with the responsibility and empowerment to deliver their own specific strategic objectives to support our growth ambitions.

Development of improved performance management processes is well underway, with objectives, key results, and full financial performance statements incorporated at an SBU level.

**"**

**NOT ONLY HAS THE REORGANISATION ENABLED US TO HAVE GREATER INSIGHT INTO BUSINESS PERFORMANCE, BUT IT HAS ALSO PROVIDED EMPOWERMENT AND ACCOUNTABILITY TO THE TEAMS.**

### Our sustainability agenda

The Board has overall responsibility for our sustainability agenda, disclosure and reporting, with the Sustainability Steering Committee responsible for setting the Group's sustainability strategy and overseeing its implementation. The Committee is chaired by our CFO, Rich Cashin, and also attended by our CEO, Jos Sclater, and the Presidents of each SBU.

During the period, the Committee met on five occasions to review progress and agree sustainability-related targets as we continue to develop our sustainability agenda. Our sustainability commitments and progress are discussed in detail on pages 41 to 49. Underpinning our mission, vision and values is a commitment to operate the Group in a way that is sensitive to and protects the current and future needs of the communities and customers that we serve, our colleagues, our supply chain and the planet.

### Health, safety and wellbeing of our people

Protecting the health, safety and wellbeing of our people remained a key priority in 2023. In line with our goal of zero harm, we continued to actively promote a strong safety culture at all our sites and accident rates remained very low.

The Board uses a Global Employee Advisory Forum as its employee engagement mechanism and this has generated a meaningful dialogue between the Board and the Group's employees during the period. This year we have also increased the number of townhall meetings held across all sites and following Jos' appointment as CEO he visited all sites and met with all employees face to face.

### Governance and the Board

Good governance is an integral part of the Company's success and the Board brings together a diverse range of relevant skills and expertise. There has continued to be change in the membership of the Board this year. When Paul McDonald stepped down from the Board as CEO on 30 September 2022, I took over as Executive Chair for an interim period until Jos Sclater joined as CEO on 16 January 2023, when I reverted to Chair of the Board. Jos has quickly established himself as a strong addition to the Board and I am pleased with the progress he and Rich have made since his appointment. The Board currently comprises two Executive Directors, three independent Non-Executive Directors and myself as Chair. After seven years on the Board, Chloe Ponsonby has decided that she will step down during 2024 following an increase in her executive responsibilities. The Board regularly reviews its composition to ensure it has the necessary breadth and depth of skills and experience to support the development of the Group and we will replace Chloe with an individual with the right set of skills and experience to bolster the strength of the Board. Chloe will step down when her replacement is appointed and Victor Chavez will take over at that time as Chair of the Remuneration Committee.

As Chair, I have engaged with our major shareholders at various points during 2023 to understand their views and have ensured that these are communicated to the Board. We conducted an internal Board performance evaluation this year and remain confident that the Board continues to operate effectively together at a high standard. Full details of this year's evaluation are contained in the Governance section of this Annual Report.

### Looking ahead to a new chapter of growth

2023 has been an important year for the Group. The Executive management team have done a great job in organising and focusing resources to deliver our compelling STAR strategy. I do not underestimate the challenges of executing the new strategy, but I am confident that Avon Protection is now well positioned for a new chapter of growth, whilst continuing to pursue its purpose of protecting lives.

**Bruce Thompson**
Chair

21 November 2023

# STRATEGIC REPORT

# CONTENTS

**Strategic Report**



**"2023 HAS BEEN A TRANSFORMATIVE YEAR FOR THE GROUP. WE HAVE UNDERTAKEN SIGNIFICANT CHANGES THAT HAVE RESHAPED THE VERY CORE OF OUR BUSINESS.**

# OUR CORE MARKETS

**Links**

**Strategy**

- **S** Strengthen
- **T** Transform
- **A** Advance
- **R** Revolutionise

**Risks**

1. Bids and contracts
2. Recruiting and retaining talent
3. Strategy execution and new product development
4. Manufacturing
5. Political and economic stability
6. Financial controls
7. Sustainability
8. Security and cyber
9. Compliance and internal controls
10. Defence sector concentration

> Read more about our strategy on page 22
> Read more about our risk management on page 62

## MACRO CHANGES

### 1. U.S. DEPARTMENT OF DEFENSE

**What we have seen**

The U.S. DOD remains the largest defence market in the world, with a requested budget for the 2024 fiscal year of $842 billion. As per the 2023 National Security Strategy, global priorities consist of out-competing China as assertiveness grows around the Indo-Pacific region, and constraining Russia amidst the continuation of the invasion of Ukraine. Additionally, the U.S. DOD released its Strategy for Countering Weapons of Mass Destruction in 2023 and its first Biodefense Posture Review, highlighting an increased focus on defending against biological threats and building a force that can fight and win in a CBRN environment.

**How we are responding**

Within Head Protection, we received the second delivery order worth $38 million from the U.S. Army under NG IHPS helmet contract, and the second delivery order worth $6.7 million from the U.S. Defense Logistics Agency under the second-generation Advanced Combat Helmet (ACH GEN II) contract. The combination of these two will position us as the leading supplier of ballistic helmets into the U.S. DOD.

In Respiratory Protection, we continue to be the sole-source supplier of M50, M53A1 and M69 masks into the U.S. DOD, and have secured funding to develop the next generation of filters. We have taken steps to right-size the Respiratory Protection SBU in light of U.S. DOD forecasts.

**Link to strategy** T A R

**Link to risk** 1 2 3 6 7 11

### 2. COMMERCIAL AMERICAS

**What we have seen**

We continue to see increased risk of CBRN and ballistic threats from terrorist attacks, civil unrest and organised crime.

First responders are ever expected to react to these shifting threat environments, and require increased levels of protection often associated with military applications.

**How we are responding**

We launched our new line of EPIC Ballistic helmets into the Commercial Americas market earlier this year, showcasing the combination of our joint world-leading technologies in both ballistic shells and liner & retention systems.

We also made our FM50 and C50 respirators, along with a curated selection of accessories, available to the U.S. civilian market for the first time via the Team Wendy website, which provides a platform to expand into a new and growing market with our existing portfolio of products.

**Link to strategy** A R

**Link to risk** 1 2 6 7 11

### 3. U.K. & INTERNATIONAL

**What we have seen**

Following the Russian invasion of Ukraine last year, we continue to see a greater focus from NATO countries of defence, with added pressures for spend to reach 2% of GDP or higher.

**How we are responding**

We continue to supply NATO forces with our respiratory portfolio via our sole-source framework contract with the NATO Support and Procurement Agency (NSPA), with an eighth country joining since the start of the contract in 2021. We also received an order for our EXOSKIN CBRN boots and gloves under the three year framework contract we won this year, showcasing the strength of the platform in providing our entire range of CBRN protective capabilities.

**Link to strategy** A R

**Link to risk** 1 2 6 7 11

## 2021–2030 REVENUE OPPORTUNITY CAGR*

### RESPIRATORY PROTECTION

**1.9%**
U.S. DOD

**1.9%**
Commercial Americas

**2.4%**
U.K. & International

**2.8%**
Total opportunity CAGR

### HEAD PROTECTION

**8.5%**
U.S. DOD

**1.3%**
Commercial Americas

**2.3%**
U.K. & International

* Based on forecast data supplied by Renaissance Strategic Advisors in 2021. We expect to match or exceed these growth rates as we increase share within our markets.

**2023 Revenue by Market**

$76.7m
$109.6m
$57.5m

U.S. DOD
Commercial Americas
U.K. & International

**2023 Revenue by SBU**

$86.9m
$156.9m

Respiratory Protection
Head Protection

# RESPIRATORY PROTECTION

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

1

1 **RESPIRATORS**

3

4

2 **POWERED & SUPPLIED AIR**

3 **SPARES & ACCESSORIES**

2

4 **CBRN PROTECTIVE WEAR**

## EXAMPLES OF OUR RESPIRATORY PORTFOLIO

### RESPIRATORS

Our 50 series respirators utilise shared key technologies, offering maximum protection against CBRN threats. With multiple tailored variants, we meet diverse customer needs effectively and comprehensively. The M50 and FM50 masks are the most advanced military general service respiratory protection masks to date, offering significant improvement in comfort, usability, operational effectiveness and protection. The C50 mask is based on the M50 and is the leading mask used by U.S. law enforcement agencies, offering high protection, outstanding field of vision and superior comfort. The PC50 was developed for budget challenged prisons, correctional officers, border control and other non-CBRN requirements that require protection in dangerous and contaminated environments. The FM53 and FM54 masks were developed specifically for specialist applications where the user needs to respond to ever-changing operational conditions.

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

### SPARES AND ACCESSORIES

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

### ESCAPE HOODS

Our NH15 escape hood provides portable protection. The ultra-low profile makes it more convenient to carry and enhances the range of respiratory protection available to escape a hostile situation.

## PRODUCT IN ACTION

## EUROPEAN MILITARY CONTINUE TO SELECT OUR MISSION-CRITICAL PROTECTION

We have recently welcomed orders from a new European military for both FM50 respirators and EXOSKIN CBRN boots and gloves under our NSPA contracts.

This military joins several other NATO nations, including Belgium, Denmark, Finland, the Netherlands, Norway, Latvia and Lithuania, in deploying our FM50 respirators to protect its armed forces. But most significantly, this is the first NATO nation to place an order for our boots and gloves under the recently awarded three-year framework contract.

While these orders may be relatively small in scale, they hold huge significance for us as they demonstrate how our NSPA framework contracts serve as a robust platform for showcasing our extensive CBRN portfolio to NATO nations and partners. They also reaffirm our steadfast partnership with NATO in bolstering CBRN protection capabilities across the alliance.

**8**

NATO nations utilising our NSPA contracts

### POWERED AND SUPPLIED AIR

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

### UNDERWATER SYSTEMS

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

### THERMAL IMAGING CAMERAS

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

### CBRN PROTECTIVE WEAR

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

# HEAD PROTECTION

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

1

2

1 **HELMETS**

2 **LINER & RETENTION SYSTEMS**

## EXAMPLES OF OUR HEAD PROTECTION PORTFOLIO

### HELMETS

#### ACH GEN II

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

#### NG IHPS

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

#### EPIC

The EPIC range features three models tailored to the needs of first responders. Leveraging advanced ballistic helmet technology, the new helmet series features lightweight high-performance material paired with our Team Wendy liner systems for premium comfort.

#### EXFIL BALLISTIC SL

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

#### EXFIL LTP

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

## PRODUCT IN ACTION

## EXFIL LTP DELIVERY FOR U.S. NAVAIR COMMUNITY

Our EXFIL LTP bump helmet, which is ideal for maritime environments, was chosen by the U.S. NAVAIR, which supports the supply of equipment for the U.S. Navy, to protect shore-based marine maintainers and the aviation maintenance crew. This crew is responsible for the U.S. Navy's flight deck operations on aircraft carriers and the maintenance and repair of aircraft on board.

**"**

**WE'RE PROUD TO MEET CUSTOMER NEEDS AND ENHANCE MAINTAINER SAFETY AS OUR INNOVATIVE HELMET PLATFORM GAINS GLOBAL INTEREST FROM ALLIED NAVAL FLEETS.**

**10k**

helmets delivered to U.S. Naval Air Systems Command

## ○ LINER AND RETENTION SYSTEMS

### SAR BACKCOUNTRY

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

### CAM FIT RETENTION SYSTEM

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

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

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

### EPIC AIR LINER SYSTEM

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

### EXFIL MARITIME LINER SYSTEM

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

# AN EFFECTIVE BUSINESS MODEL

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

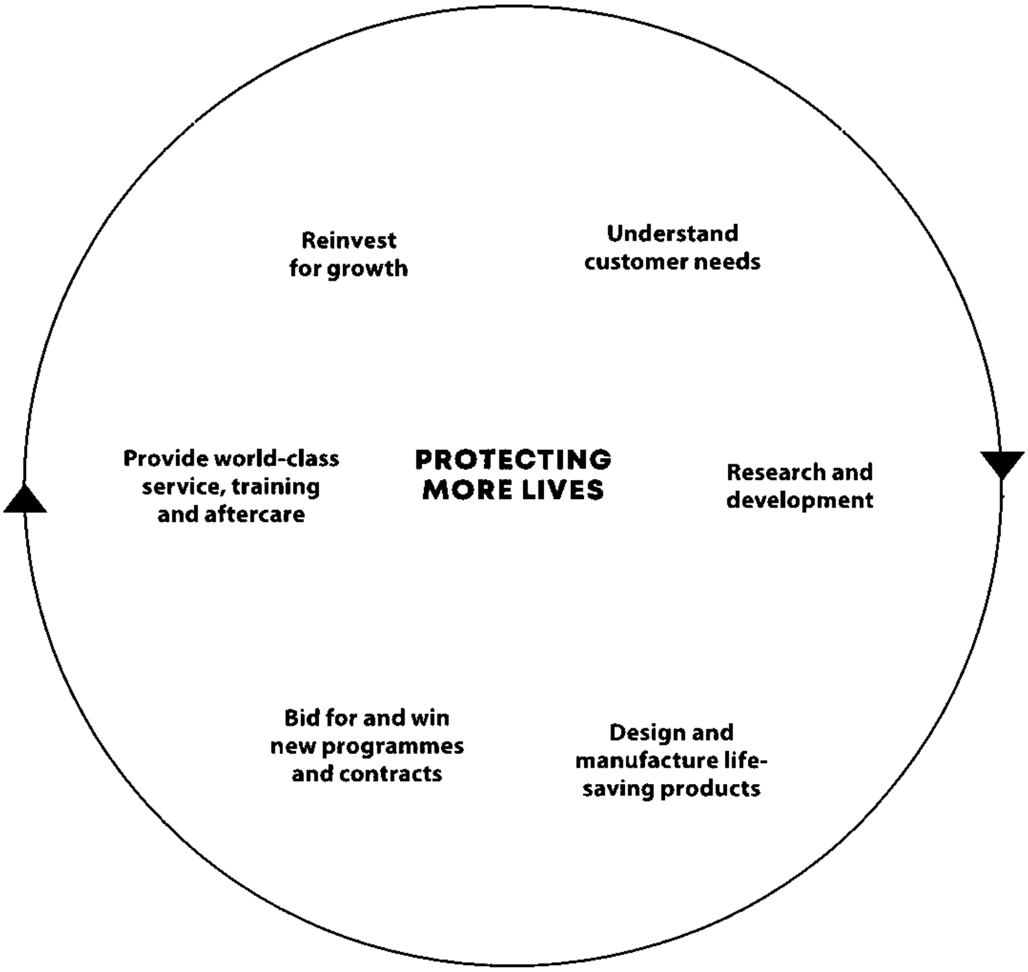
## OUR COMPETITIVE ADVANTAGES

**Market positions**
Our market-leading positions are protected by our world-leading technologies, high value brands, significant barriers to entry and intellectual property rights.

**Our partnerships**
We maintain strong relationships with a diverse customer base of global militaries and first responders, where we work in tandem to develop and deliver specific protective needs.

**Our people**
We have extensive in-house capabilities across all of our functions, with empowerment and trust at the centre of what we do to get the best out of our people.

## HOW WE CREATE VALUE



# THE VALUE WE CREATE

### Employees

Our people are essential in enabling us to meet our customers' requirements, and we must provide a happy, healthy and rewarding environment to allow our employees to thrive. Initiatives include Balance@Avon, our employee resource group which aims to help develop and promote our female leaders of the future; LinkedIn Learning, our e-learning platform; our network of Culture Champions who promote the views and interests of our employees across our sites; and a wide range of health awareness initiatives.

### Communities

We acknowledge the responsibility we have to the local communities our sites operate in and look to contribute in more ways than just providing employment opportunities. In this year alone we have made over $124k in donations to local charities and organisations including hospices, schools, emergency service providers and community groups, in addition to our partnerships with Team Forces and Forces Wives Challenge, and our donation of 20% of sales generated via the Team Wendy e-commerce site to The Honor Foundation on Giving Tuesday.

### Customers

We understand the criticality of our products in enabling our customers to perform life-endangering tasks in service of protecting others. Our products are designed to meet the specific demands of our users, and the highest quality standards are upheld to ensure they work without fail when they are needed most.

### Environment

The climate impacts the life-threatening situations in which our products and services help save lives. Working towards our net zero goal, building in more circularity and the targeted use of resources will help us mitigate and adapt to protect our planet. This year we have established focused sustainability targets for us to deliver against over the next five years.

### Suppliers

Our supply chain is essential in the timely delivery of our life-saving products, and we maintain robust partnerships with our extensive supplier network, whilst ensuring they abide by the same ethical and moral standards that we do.

### Shareholders

Through successful management of the business and execution of our STAR strategy, we return value to our shareholders via dividends and reinvesting in the business to drive future growth and margin expansion.

# TOGETHER WE REALISE OUR POTENTIAL

"

**AVON PROTECTION HAS EXTRAORDINARY POTENTIAL AND CAN SIGNIFICANTLY IMPROVE GROWTH, MARGINS AND ROIC.**

## Lots done. Lots to do.

2023 has been a transformative year for the Group. We have undertaken significant changes that have reshaped the very core of our business. This journey has seen us realign our structure into two Strategic Business Units, a move designed to improve delivery, focus and accountability. We launched our new STAR strategy to realise our potential and deliver revenue growth, mid-teens operating margins and improved cash flow. Furthermore, we have defined a combined purpose, mission, vision and set of values that unite our entire business under a shared ethos with a view to accelerating strategy execution.

We have maintained high levels of energy through the continued execution of our STAR strategy and we have made significant progress in each of the key areas, which is a testament to the dedication and determination of our team.

## Strengthen

In the period, we have wound-down and subsequently exited the Armour business on-time and to plan, with the successful delivery of all outstanding obligations. As well as giving us an immediate financial benefit, this also enables us to fully focus on the objectives and priorities within the continuing business, whilst freeing up space to optimise helmet manufacturing within our Irvine facility.

The Group has diligently worked to implement the new operating model announced at the half year results, with the creation of two Strategic Business Units (SBUs) for Respiratory Protection and Head Protection, each with focused leadership teams who are empowered and accountable for delivering our STAR strategy. Development of improved performance management processes is well underway, with objectives, key results and full financial performance reports incorporated at an SBU level.

We have continued to strengthen our teams in many key areas including finance, sales, programme management, engineering, and HR. Importantly, we have strengthened the operational leadership teams at our Salem and Irvine facilities, which is essential in ensuring the successful delivery of the U.S. DOD contracts which underpin the growth of the Head Protection business in the coming years.

Following the lower than expected demand for our respiratory products in the year, we took decisive action to right-size the capacity of the business. In Head Protection, we have improved productivity following the exit from the Armour business. Altogether, we have reduced headcount by around 100 people through these initiatives.

During the second half, we have also developed a reinvigorated purpose, mission, vision and values and are excited to start sharing this across the Group. To create something that is reflective of our collective aspirations, we initiated a comprehensive process that invited employees to provide their feedback through surveys and focus groups. These insights were invaluable and provided the foundations upon which our shared values were developed, aligning us as a company with a clear direction and shared ethos. Our Group will be more aligned than ever before, united in our goal to protect lives and provide unparalleled support to those who protect us, all of which is underpinned by our STAR strategy.

**STRATEGY IN ACTION**

# TOGETHER WE TRANSFORM

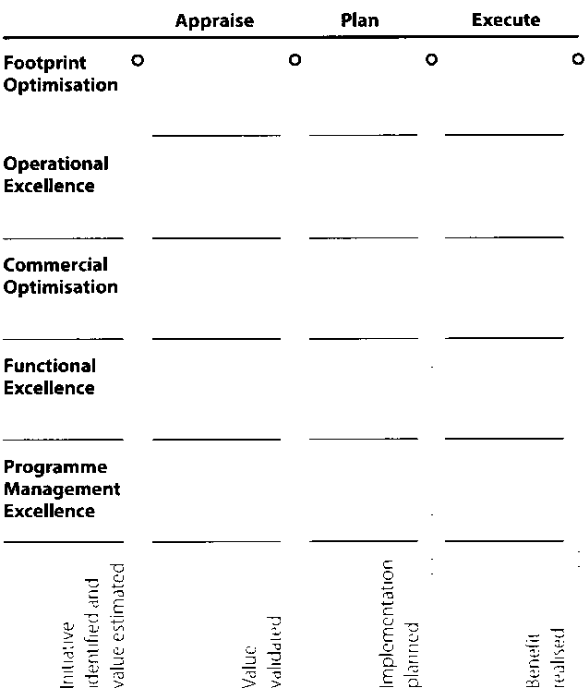
## INTRODUCING OUR TRANSFORMATION PROGRAMME

The Transform point of our STAR strategy focuses on five pillars: footprint optimisation, operational excellence, commercial optimisation, functional excellence and programme management excellence. Each of these pillars presents opportunities to reduce costs, realise efficiencies and improve working capital turns.

The chart below shows how our transformation initiatives are progressing through our transformation gates, with the degree of shading in each star showing the assessment of progress so far. Over the next three years we should expect to see all the stars filled in.

We've made excellent progress validating the value of our footprint optimisation, operational excellence and functional excellence programmes, but have some more work to do on validating procurement opportunities. We have found some quick wins in commercial optimisation but have not yet validated the full opportunity.

Importantly, we have nearly finished planning the footprint optimisation and functional excellence programmes and will move firmly into execution this year. This is important because it means we will see the full benefits of these initiatives in 2026 and some earlier than that.




### Transform

Whilst the majority of the year has been focused on strengthening and stabilising the business, attention has now turned to a number of transformational initiatives which are at the core of ensuring we can deliver mid-teens operating margins, and improved return on capital and cash flow.

The transformation programme has been split into five work streams with dedicated teams, and most importantly defined costs and benefits. Furthermore, we have aligned the incentives of the business to these initiatives with a greater focus on profit and average working capital turns for our annual bonus scheme, and an emphasis on 2026 earnings and ROIC for our longer-term incentive plans.

The first and single biggest lever within transformation is footprint optimisation. Within Head Protection initiatives include insourcing the production of our EXFIL Ballistic SL helmets, the movement of finishing for our new EPIC range of helmets to Cleveland, and the consolidation of high-volume ACH GEN II production into Cleveland and Salem. All of these initiatives deliver good margin improvements and support the future growth of the Head Protection business. We have further initiatives in our pipeline which will help us accelerate further.

Secondly comes operational excellence. Laying the groundwork for a culture of continuous improvement will be essential in driving efficiency and growing margins as we move forward, and we took some important first steps in the second half of the year. Regular Kaizens have been implemented at all our sites, with a number of significant improvements already realised, including reducing the scrap rate for NG IHPS, as well as the creation of a funnel of Kaizens for the new year. To further drive operational improvement we have developed a new set of operational metrics with consistency across the SBUs, these will be rolled out to all sites at a value stream level along with a reinvigorated operational tier system in the new year

**"**

**THE NEW EPIC RANGE OF BALLISTIC HELMETS THAT LAUNCHED EARLIER IN THE YEAR DEMONSTRATES THE COLLABORATION ACROSS OUR HEAD PROTECTION SITES, COMBINING THE BALLISTIC HELMET TECHNOLOGY THAT WAS DEVELOPED FOR THE ACH GEN II PROGRAMME, WITH THE TEAM WENDY LINER SYSTEMS TO PROVIDE A LIGHTWEIGHT, HIGH-PERFORMANCE HELMET WITH PREMIUM COMFORT, AND A BEST-IN-CLASS PERFORMANCE TO WEIGHT RATIO TO THE FIRST RESPONDER MARKET.**

### Transform continued

Commercial optimisation focuses on streamlining our product offerings and routes to market, whilst ensuring we are fully leveraging our market leading positions. The introduction of the good, better, best range of EPIC helmets has been very successful, with the majority of customers choosing the top end EPIC specialist variant. Within Respiratory Protection we have identified a number of pricing optimisation opportunities on products where we do not currently make acceptable levels of margin.

The final two workstreams of functional excellence and programme management excellence are at the earlier stages of their execution, but important first steps have taken place with a number of opportunities identified to improve functional efficiency, reduce waste, and improve productivity. We will also be expanding the Kaizen methodology outside of operations to drive similar levels of improvement in other areas of the business including HR, finance and new product introduction.

We estimate that the total cash cost for these transformation initiatives will total between $10-12 million in 2024, including $1-2 million of capital expenditure. The transformation expenses are expected to be recognised as exceptional cost. There will be further transformation costs in 2025, with a sharp decrease expected in 2026.

### Advance – Respiratory Protection

A lot of the effort within Respiratory Protection this year has focused on rebuilding the sales pipeline, either by innovation of new products or new channels to market.

Earlier in the year we announced that we had been awarded a framework contract by the NSPA, to supply our EXOSKIN range of CBRN protective boots and gloves, and this was followed up later in the year by the first order under the contract from a NATO customer. Importantly this serves as the first country to have procured against both the boots and gloves contract and the existing framework contract for FM50 masks, evidencing the robust platform the contracts provide for showcasing our extensive CBRN portfolio to NATO nations and partners.

We have made good progress strengthening our relationship with the U.S. DOD programme office and are seeing significantly higher levels of collaboration on future product developments. We do not expect this to translate into increased U.S. DOD demand this year, which will be impacted by a gap in filter production. Going forwards, we will level load the filter line to avoid this happening again.

We are continuing to focus on capturing the underwater market with our world-leading rebreather technology, and see a strong pipeline which we expect to enable us to expand our customer base beyond the NATO countries that we have already won contracts with.

Looking forward, we will focus on the launch of our revolutionary new Modular Integrated Tactical Respirator (MiTR) mask and goggle system via our Quick Launch process, increasing sales of our complete CBRN portfolio including our new protective suit developed in partnership with OPEC CBRNe and importantly start to see returns from sales of rebreathers following many years of continuous product development.

### Advance – Head Protection

Within Head Protection, the focus has been on ensuring we have the capacity and capability to fulfil the demand against our U.S. DOD contracts.

The ramp-up of NG IHPS production has made significant progress, and in total over 12,000 helmets were successfully produced, approved and delivered within the year. We expect to deliver around 24,000 NG IHPS helmets in 2024. This, in combination with the award of a five-year extension to the J&A contract, underpins growth within the Head Protection business.

Formal FAT approval for ACH GEN II has been received, which represents an important milestone in de-risking this programme. We will now move into the ramp-up phase of this programme, but with the lessons learned from the successful launches of both NG IHPS and EPIC this year, I am confident that we will start production in H1.

The new EPIC range of ballistic helmets that launched earlier in the year demonstrates the collaboration across our Head Protection sites, combining the ballistic helmet technology that was developed for the ACH GEN II programme with the Team Wendy liner systems to provide a lightweight, high-performance helmet with premium comfort and a best-in-class performance to weight ratio. Initial interest and orders have been very promising with around 10,000 ordered to date.

The focus for 2024 remains on improving productivity and scrap rates as we ramp-up production to drive margins up to an acceptable level.

**STRATEGY IN ACTION**

# TOGETHER WE ADVANCE

## A NEW STANDARD OF SELF-CONTAINED BREATHING APPARATUS

This year we saw our upgraded ST54 enhanced multi-mission Self-Contained Breathing Apparatus (SCBA) receive certification to the NFPA 1986 Standard on Respiratory Protection Equipment for Tactical and Technical Operations, including NIOSH CBRN certification.

Achieving this standard, together with the NIOSH CBRN certified FM54 respirator, reinforces our product as the top choice tactical SCBA solution for law enforcement, first responder and Special Forces user groups operating in the harshest respiratory threat environments.

The team made improvements to the system to achieve this certification, including upgraded breathing performance with reduced exhalation resistance, and the addition of a new clear outsert with higher abrasion resistance. Comfort for the user has also been improved, with enhanced stability and weight distribution.

“

**IT HAS BEEN A REAL HONOUR TO WORK ON THIS STRATEGIC PRIORITY WITH TALENTED PEOPLE ACROSS THE BUSINESS, AND PROVIDE OUR USERS WITH A COMFORTABLE, CUSTOMISABLE HIGH PERFORMANCE SYSTEM.**

Colin Horne, Global Category Manager – Specialist Respiratory

### Revolutionise

Revolutionise focuses on a longer-term horizon and we have made a number of important first steps in the year.

Our Head Protection team has started work on the next generation of bump helmets, as well as leveraging the Ceradyne technology into new high-performance helmets for the commercial market.

We have also had success in securing a number of funded research and development programmes, which further demonstrates the strong partnerships we hold with our customers in collaborating on the next generation of protective technologies. Within Respiratory Protection we received funding for the development of the next generation of filters, as well as funding for the development of new diving masks and shallow water rebreathers to complement our underwater portfolio. In Head Protection we continue to be one of the leading experts in traumatic brain injury mitigation and have received funding to continue our research in this area.

### Sustainability

We protect lives; it's ingrained within our culture and is at the heart of everything we do, which is why sustainability is so important to us. We recognise we are at the start of our sustainability journey so have been focused on developing a high-level sustainability vision linked to our purpose and strategy.

During the period, we evolved our sustainability agenda by redefining and expanding the four distinct pillars which underpin our sustainability agenda to better reflect our key stakeholders, each of whom has an important role to play in our journey. These are now known as our planet, our supply chain, our customers and our colleagues and communities.

Within each pillar, we have identified priority objectives which will be closely monitored by the Board. Targets have been agreed against these ambitions and will help drive positive momentum. Each pillar also has a number of other focus areas that support the priority objectives and are necessary for us to manage as part of our day-to-day stewardship.

### Capital allocation policy

We have completed a review of our capital allocation policy and have introduced a new framework. First and foremost, we want to focus our attention and resources on capitalising on the growth opportunities ahead of us, whilst maximising the returns from these growth opportunities through the targeted transformation activities detailed above. Our second focus is to reduce debt to enable flexibility and minimise our interest costs. Thirdly, while we recognise the importance of dividends to some of our shareholders, we want to ensure that these distributions are sized appropriately and, importantly, set at a level from which they can grow as business performance starts to improve on a sustainable basis. With this in mind, we believe that an appropriate level of distribution is for dividend payments to be between 2.5 and 3x covered by adjusted basic EPS through the cycle.

Beyond these three core principles, in the medium term we will consider inorganic bolt-on opportunities with the express requirement that they accelerate the delivery of our strategy. However, we do not anticipate considering inorganic investments until we have meaningfully improved profitability in the Head Protection business and reduced debt to a more comfortable level.

Ted Jos Sclater

**Jos Sclater**
CEO

21 November 2023

# DEVELOPING OUR STAR STRATEGY

### STRENGTHEN

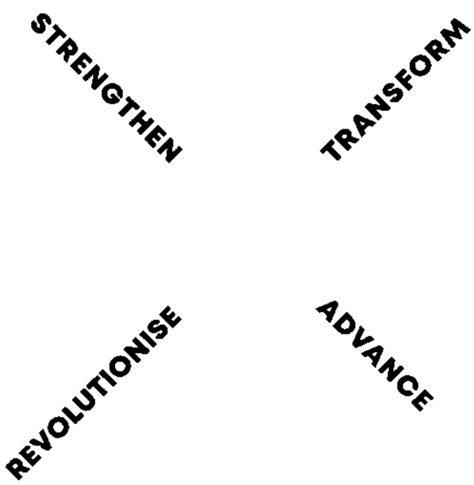
**Strengthen the fundamentals to provide a stable platform for transformation**

› Read more on page 24

### TRANSFORM

**Improve efficiency and working capital turns**

› Read more on page 26




### REVOLUTIONISE

**Leverage innovation to drive further growth**

› Read more on page 30

### ADVANCE

**Organically grow the core and scale up emerging opportunities**

› Read more on page 28

### Linking to our sustainability pillars

**Our planet**

**Our colleagues and communities**

**Our customers**

**Our supply chain**

› Read more on page 42

### Developing our strategy

To develop our STAR strategy, the Respiratory and Head Protection SBUs united their expertise, bringing together diverse teams in a series of workshops.

An intense focus was placed on determining the levels of ambition for the Respiratory and Head Protection product families, conducting a thorough analysis of their strengths and weaknesses, and meticulously mapping out the threats and opportunities within existing, adjacent and new market spaces. With a comprehensive agenda, the teams actively engaged in activities designed to explore these critical areas, pushing their boundaries to think critically about the business' strategy, available resources, methods for measuring success and the evolving market landscape.

This collective effort, driven by the active participation of over 40 employees, played a pivotal role in the strategic evolution of the business, crucially helping to improve buy in and reduce execution risk.

# OUTLINING OUR JOURNEY

2023 2024 2025 2026 2027 2028 2029

**STRENGTHEN**

**STABILISE**

**TRANSFORM**

**MID-TEENS OPERATING MARGINS**

**CONTINUOUS IMPROVEMENTS**

**ADVANCE**

**GROWTH**

**REVOLUTIONISE**

**R&D**

**SALES**

## OUR PLAN IN DETAIL

**Strengthen**
The Strengthen element of our STAR strategy is focused on our concerted efforts to reinforce the foundational aspects of our operations, thereby facilitating significant enhancements in our ability to deliver exceptional value to our customers with speed and precision.

**Transform**
The Transform element of our STAR strategy embodies our commitment to achieving substantial gains in efficiency and working capital turnover by concentrating on proven transformational strategies and tactics. This includes streamlining processes, optimising resources and embracing innovative approaches to drive positive change throughout the business, ultimately enhancing our overall performance and sustainability.

**Advance**
The Advance element of our STAR strategy represents our strategic focus on organic growth in our core business while simultaneously scaling up emerging business models. We achieve this by tailoring strategic initiatives for each SBU. This element emphasises our commitment to nurturing and expanding our existing strengths while innovating and diversifying to adapt to evolving market dynamics, ensuring long-term success and sustainability.

**Revolutionise**
The Revolutionise element of our STAR strategy underscores our pursuit of thrilling, long-term opportunities by harnessing our core competencies to fuel growth through innovative approaches and market expansion. This strategic element emphasises our dedication to exploring new horizons and embracing disruptive innovations to drive sustainable, transformative change while venturing into new markets, making us a frontrunner in our industry's evolution

# STRENGTHENING TOGETHER

## STRENGTHENING TOGETHER CLAIR'S STORY

This year we embarked on a transformative journey to define a new vision, mission and values, and provide a renewed sense of purpose and direction.

Throughout this process we have engaged with our employees through surveys, workshops and focus groups. Their insights and candid feedback were invaluable in guiding our efforts and ensuring alignment with their perspectives to shape the new vision, mission and values.

I am incredibly proud of the work that has been accomplished this year and to have been a part of it, seeing the collaboration between teams and the generation of a diverse range of ideas. Our new vision, mission and values are not just words on a wall; they are the foundation of a renewed commitment to our customers, our employees and the communities we serve.

**Clair Randall**
Director of Corporate Communications

## ACHIEVEMENTS OVER THE YEAR

1. **Effective operating model**
2. **Clear strategy with resources aligned to strategic initiatives**
3. **Strong management team**
4. **Initial right sizing complete**
5. **High impact performance management implemented**
6. **Successfully exited the Armour business**

# TRANSFORMING TOGETHER

## TRANSFORMING TOGETHER RAUL'S STORY

We're focused on growing and formalising our continuous improvement culture to continue to explore new ways to improve processes, stay competitive, increase quality and output and improve the work environment.

I am proud to have been part of a cross-functional team that has undertaken six months of projects across our facility in Salem, looking to improve efficiencies and maximise our available floor space. Several pieces of equipment and tools have been repurposed at our other facilities, actions have been taken to enhance the sustainability of our processes and there has been a focus on improving 5S.

The team has risen to the challenge and these projects and Kaizens have reinvigorated a sense of continuous improvement culture and unity, while providing development opportunities for our teams.

Kaizens are continuing across the sites, looking to observe, analyse, plan and action changes to enhance our manufacturing performance and reduce non-value-added activities. This is supported by training across all functions by our continuous improvement teams.

**Raul Vargas**
Salem Helmet Value Stream Manager

## ACHIEVEMENTS OVER THE YEAR

**1 Footprint optimisation**

EPIC finishing and assembly moved to Cleveland

ACH GEN II capacity ramp up to move to Cleveland, in addition to Salem

**2 Operational excellence**

Continuous improvement culture and capability

Standard operating metrics implemented

**3 Commercial optimisation**

EPIC good, better, best strategy implemented

Identified pricing optimisation opportunities

**4 Functional excellence**

Detailed plan created for finance excellence

## FUTURE OBJECTIVES

**1 Footprint optimisation**

Further steps to improve gross margin

**2 Operational excellence**

Implement funnel of improvement initiatives targeting scrap reduction and productivity improvement

**3 Commercial optimisation**

Improved pricing on priority low-margin SKUs and optimised route to market

**4 Functional excellence**

Implement identified opportunities

**5 Programme management excellence**

Transformation governance and control embedded

# ADVANCING TOGETHER

o

### ADVANCING TOGETHER

## DARON'S STORY

This year we launched the EPIC line of ballistic helmets. This was the first collaboration across the three Head Protection sites and is the result of the innovative synergies between Avon Protection, Team Wendy and Avon Protection Ceradyne coming to life. The EPIC helmet range leverages the latest U.S. DOD ballistic protection technology pedigree from Avon Protection Ceradyne, with exceptional head protection from Team Wendy liner and retention systems, and seamless integration with Avon Protection respirators. The new line offers our law enforcement officers scalable options for exceptional protection at an economical price.

It was a proud moment to see the output of work from extraordinary individuals in cross-functional teams bringing this EPIC range to life and delivering innovation to our customers. From initial validation and prototypes, to manufacturing process set-up and marketing collateral completion, our teams displayed dedication and unique collaboration throughout the process to bring this product to the market.

Currently available to the Americas first responder market, we're looking forward to expanding the offering to our e-commerce website and building a strong pipeline of opportunities with militaries across the globe as we expand into EMEA regions.

**Daron Shank**
Product Category Manager

# HEAD PROTECTION

## ACHIEVEMENTS OVER THE YEAR

1. **NG IHPS**

   Signed five-year IDIQ with contract ceiling of $676 million

   FAT approval received ahead of the competition

2. **ACH GEN II**

   IDIQ with 5 years remaining and a contract ceiling of $204 million

   FAT approval, ahead of competition

3. **EPIC**

   Strong demand for new EPIC helmet with ACH GEN II technology

   Successful production ramp-up

## FUTURE OBJECTIVES

1. **NG IHPS**

   Productivity and scrap improvements

2. **ACH GEN II**

   Ramp up production to meet customer demand

3. **EPIC/EXFIL**

   Increase production further with lower cycle time

   Refresh EXFIL range and embed Ceradyne shell technology

4. **Pads**

   Increase production to meet higher demand

   Improve productivity and reduce scrap

# RESPIRATORY PROTECTION

## ACHIEVEMENTS OVER THE YEAR

1. **Boots and Gloves**

   Won the NSPA contract and received first major order from a NATO customer

2. **U.S. DOD**

   High levels of collaboration on future product development

3. **Rebreathers**

   Strong pipeline

## FUTURE OBJECTIVES

1. **Launch MiTR**

   Use our Quick Launch process to launch revolutionary new respiratory and eye protection system

2. **Rebreathers**

   Convert pipeline into profitable growth

3. **Complete CBRN solution**

   Sell ensemble through existing channel

# REVOLUTIONISING TOGETHER

## REVOLUTIONISING TOGETHER HENRY'S STORY

Our journey with the MiTR project has been nothing short of transformative. From its inception, when our engineering team's ingenuity met the U.S. DOD's needs to receiving very positive customer feedback from customer trials and DSEI 2023.

The most rewarding aspect has been the opportunity to develop something revolutionary from the ground up. MiTR is about understanding the nuanced needs of our end users and we recognise that unparalleled protection isn't solely about intensity; it's also about reducing burden. MiTR, with its innovative integration of respiratory and ocular protection, lightens the load for our soldiers, enabling them to execute their crucial roles with heightened confidence and efficiency.

The efforts of the design engineering team haven't just expanded Avon Protection's product portfolio; they've created a new category in respiratory protection. I'm proud to be part of a team that not only envisions unparalleled protection but actively pioneers it. Together, we're not just developing gear; we're shaping the future by protecting those who protect us.

**Henry Chadwick**
Senior Design Engineer

## ACHIEVEMENTS OVER THE YEAR

### 1 Rebreathers

Secured U.K. MOD funding for new underwater masks

Secured U.K. MOD funding to develop shallow water rebreather

### 2 Next Generation Helmet Technology

NG Bump helmet developed and in evaluation

Increasing customer funding for next generation traumatic brain injury mitigation technology

## FUTURE OBJECTIVES

### 1 Next Generation Helmet Technology

Funding to further advance ballistic protection and prevent traumatic brain injury

### 2 Non-Ballistic Offerings

Introduce Next Generation Bump Helmet

Broaden SAR helmet into adjacent markets

### 3 High Performance Rifle Rated Helmets

Gain momentum with portfolio expansion

# HOW WE MEASURE FINANCIAL KPIs

Our strategy is underpinned by a variety of KPIs, enabling us to monitor its implementation, as well as overall business performance.

## CLOSING ORDER BOOK

**$135.8m**

+12.3%

| | |
|---|---|
| FY23 | $135.8m |
| FY22 | $120.9m |
| FY21 | $116.5m |

**Reason for choice**
Provides a level of confidence of revenue to be recognised in the next financial year.

**How we calculate**
This is measured as the value of future revenue attached to orders not yet fulfilled.

**Comments on results**
We have seen strong growth in our Head Protection order book, which includes $59 million of orders for NG IHPS and $20 million for ACH GEN II.

**Link to STAR**
A R

## ORGANIC CONSTANT CURRENCY REVENUE GROWTH

**(7.5)%**

-1,610bps

| | |
|---|---|
| FY23 | (7.5)% |
| FY22 | 8.6% |

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

**How we calculate**
Growth in revenue comparing current period revenue with prior period revenue translated at 2023 exchange rates.

**Comments on results**
Revenue was down 7.5%, with a decline in Respiratory Protection following a very strong prior year from the NSPA contract, partially offset by growth in Head Protection.

**Link to STAR**
S T A R

## ADJUSTED OPERATING PROFIT MARGIN

**8.7%**

-20bps

| | |
|---|---|
| FY23 | 8.7% |
| FY22 | 8.9% |
| FY21 | 13.4% |

**Reason for choice**
Provides a measure of the underlying profitability of the continuing activities of the business.

**How we calculate**
The ratio of adjusted operating profit to revenue. Adjusted operating profit is defined as operating profit excluding exceptional items and discontinued operations.

**Comments on results**
Our margins are down slightly on the prior year, with lower revenue in the higher margin Respiratory Protection business and manufacturing ramp-up costs in Head Protection, offset by favourable Respiratory Protection product mix, lower freight costs and lower central overheads.

**Link to STAR**
S T A R

## PRODUCT DEVELOPMENT % OF REVENUE

**4.2%**

+10bps

| | |
|---|---|
| FY23 | 4.2% |
| FY22 | 4.1% |
| FY21 | 5.5% |

**Reason for choice**
Provides a measure of the Group's investment in new products and processes, which provides the foundation for the Group's future growth.

**How we calculate**
Total expenditure on R&D expressed as a percentage of revenue. R&D expenditure includes amounts funded by customers, capitalised expenditure and amounts expended directly to the income statement.

**Comments on results**
We continue to invest in the next generation of technologies, with a small decline in expenditure offset by the reduction in revenue.

**Link to STAR**
A R

**Links**

**Strategy**

| S | T | A | R |
|---|---|---|---|
| Strengthen | Transform | Advance | Revolutionise |

## CASH CONVERSION

# 7.0%

-14,430bps

| | |
|---|---|
| FY23 | **7%** |
| FY22 | **151.3%** |
| FY21 | **83.2%** |

**Reason for choice**

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

**How we calculate**

The ratio of cash generated from operations before the effect of exceptional items, as a percentage of adjusted EBITDA.

**Comments on results**

Cash conversion was poor in the period, primarily driven by increased receivables following high levels of sales in the final quarter.

**Link to STAR**

S T R

## AVERAGE WORKING CAPITAL TURNS

# 3.7

-1.8 turns

| | |
|---|---|
| FY23 | **3.7** |
| FY22 | **5.5** |

**Reason for choice**

Provides a measure of the management of working capital for the Group.

**How we calculate**

Average Working Capital Turn (AWCT) is the ratio of the 12 month average month-end working capital (defined as the total of inventory, receivables and payables excluding lease liabilities) to revenue.

**Comments on results**

The decrease in working capital turns was caused by increased inventory in Head Protection relating to ramp up of U.S. DOD helmet programmes, along with delays in shipping a significant Respiratory Protection order.

**Link to STAR**

S T

## ADJUSTED EARNINGS PER SHARE

# 40.3c

-14.4c

| | |
|---|---|
| FY23 | **40.3c** |
| FY22 | **54.7c** |
| FY21 | **88.3c** |

**Reason for choice**

Measures the ability to generate a return to shareholders.

**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**

With a consistent number of shares, the decline in earnings per share follows the decline in profits.

**Link to STAR**

S T A R

## RETURN ON INVESTED CAPITAL

# 8.7%

-30bps

| | |
|---|---|
| FY23 | **8.7%** |
| FY22 | **9.0%** |

**Reason for choice**

Measures the profitability and efficiency of invested capital

**How we calculate**

Return on invested capital (ROIC) is calculated as adjusted operating profit over average invested capital

**Comments on results**

ROIC was consistent year on year, with the reduction in operating profit offset by a lower capital base following an impairment to goodwill.

**Link to STAR**

S T A R

Financial KPIs relate to the continuing operations of the Group, and exclude any impact of discontinued operations. More detail on the adjusted measures can be found in Adjusted Performance Measures (APMs) section.

Prior year figures have been restated to reflect the discontinuation of the Armour business.

# HOW WE MEASURE OPERATIONAL KPIs

Non-financial metrics are just as important in ensuring the effective delivery of our strategy.

## EMPLOYEE ENGAGEMENT

**67%**

+1,200bps

| | |
|---|---|
| FY23 | 67% |
| FY22 | 55% |
| FY21 | 68% |

### Reason for choice

Our people are crucial to delivering the future success of the Group. This provides an objective way to assess how engaged our employees are with the business.

### How we calculate

Employee engagement is measured through regular surveys which ask employees to respond to five statements on a scale from strongly disagree to strongly agree.

### Comments on results

Since 2022 when the business experienced a high level of change, reorganisation, and reduced performance, we have seen positive momentum with employee engagement. The 2023 survey highlighted employee's anticipation with a new CEO joining and a refreshed vision, mission and values. We look forward to seeing the impact on employee engagement in FY24.

**Link to STAR**

**S T A**

## GENDER DIVERSITY

**19%**

-200bps

| | |
|---|---|
| FY23 | 19% |
| FY22 | 21% |
| FY21 | 29% |

### Reason for choice

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

### How we calculate

This is measured as the number of females in leadership positions, expressed as a percentage.

### Comments on results

Due to both the reorganisation and leavers during the period, we did not see an increase in gender diversity at senior levels. Our Balance@Avon initiative continues to drive programmes that aim to develop and encourage female talent and the Board remains committed to championing more females into leadership roles.

**Link to STAR**

**S T A**

## HEALTH AND SAFETY

**14**

+180%

| | |
|---|---|
| FY23 | 14 |
| FY22 | 5 |
| FY21 | 16 |

### Reason for choice

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

### How we calculate

We track this using a Lost Time Incident Rate, which measures the number of lost time incidents per 1,000 employees

### Comments on results

We have seen an increase in the number of lost time incidents this year, but we continue to actively promote a strong safety culture at all of our sites. During the period we have rolled out our safety hub training to all U.K employees and have piloted a cloud-based environmental health and safety and quality management solution in the U.S.

**Link to STAR**

**S T A R**

**Links**

**Strategy**

| S | T | A | R |
|---|---|---|---|
| Strengthen | Transform | Advance | Revolutionise |

## ON-TIME DELIVERY

**95%**

+1300bps

| | |
|---|---|
| FY23 | 95% |
| FY22 | 82% |

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

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

### Comments on results
We are pleased to see strong progress on improving our rate of on-time deliveries, which is essential given the criticality of the products that we supply.

### Link to STAR
S T A

## SUPPLIER QUALITY

**1,242**

+40.7%

| | |
|---|---|
| FY23 | 1,242 |
| FY22 | 883 |
| FY21 | 1,041 |

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

### How we calculate
We measure this using defective parts per million, which is calculated by taking the number of defective units in a sample size, dividing that by the total sample size, and multiplying by 1 million.

### Comments on results
We have seen an increase in defective parts per million as we work through the ramp-up in production with Head Protection, but we continue to make good progress improving our partnership with our suppliers to meet our goals of reducing this figure.

### Link to STAR
S T A

## ENVIRONMENT

**28.7**

+17.1%

| | |
|---|---|
| FY23 | 28.7 |
| FY22 | 24.5 |
| FY21 | 26.4 |

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

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

### Comments on results
This year we restated the KPI to account for the closure of our Armour business. This saw our intensity ratio drop from 39.9 to 24.5 in FY22. We have utilised the restated data to set our emission reduction targets against.

### Link to STAR
S T A R

# ENGAGING WITH OUR STAKEHOLDERS

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 and the interests of all stakeholders have been considered, stakeholder engagement by the Board and the wider business takes place across the Group at all levels. The Board recognises that 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, including the Group's employees, shareholders, customers and suppliers, and the communities within which we operate. Throughout the year, our Directors have had regard, amongst other matters, to the:

- likely consequences of any decision in the long term;
- interests of the Company's employees,
- need to foster the Company's business relationships with suppliers, customers and others;
- 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.

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

**Strategy**

| S | T | A | R |
|---|---|---|---|
| Strengthen | Transform | Advance | Revolutionise |

> Read more on page 22

## 1 OUR PEOPLE

**Strategy**

**S T**

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

- We hold an annual engagement survey for employees to share their feedback and identify the areas for improvement. Focus areas in 2023 highlighted the need for more empowerment within our teams and greater visibility from leadership.
  - From this feedback, the Group has been split into SBUs to help increase empowerment and responsibility at the business unit level. SBU leadership holds monthly briefings with employees to provide them with progress on strategic priorities, and the Executive Committee's quarterly meetings are held at different sites throughout the year to provide our teams with the chance to interact directly and openly ask questions.
  - We have a network of Culture Champions across our sites promoting the views and interests of our employees and monitoring the impact of actions from the Employee Opinion Survey
- Our employees have played a central role in developing our new STAR strategy. Over 40 employees were involved throughout the development process, and all employees were invited to share feedback via surveys or workshops. Their feedback has shaped our strategic priorities.
- In developing our new Company values, our employees have been at the forefront of the process and our long-term decision making. They have had the opportunity to contribute and shape our new values and we look forward to moving forward and embedding these within our business.

> Read more about our employee engagement on page 46

## 2 CUSTOMERS

Strategy

T A R

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

- Throughout our development pipeline, via dedicated channels, User Advisory Councils and attendance at industry events, we engage with our customers and end-users to ensure we are responding to their developing needs and are quick to identify future opportunities. Engagement on product development this year has included the MITR, our new range of EPIC helmets and new underwater military diving technologies
- This year we launched a customer survey to ask for feedback on how Avon Protection ranks in the areas of product quality and training, tech support and service centres, as well as customer service and sales support. Feedback from this survey has driven enhanced training and technical service capability, in addition to closer collaboration with customers on product design and existing line improvement.
- We engaged with a number of key customers during the development of our STAR strategy to ensure we captured our position in the market, our strengths and opportunities in the eyes of our customers and their future expectations and requirements from the industry.

## 3 COMMUNITIES

Strategy

S T

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

- In addition to our charitable giving programme which aims to support the organisations and causes close to our employees, we have also partnered with Forces Wives Challenge, a social enterprise that unites women who have partners in the Armed Forces through adventure and challenge, and Team Forces, which helps to fund sport, challenge and adventure in the armed forces community in order to improve health, wellbeing and recovery. During the period we donated $124,706 to charitable causes.
- We signed the Women in Defence U.K. Charter, which is our official pledge to committing to build and sustain a gender-balanced environment for our people

> Read more on page 47

**Strategy**

| S | T | A | R |
|---|---|---|---|
| Strengthen | Transform | Advance | Revolutionise |

## 4 SUPPLIERS

**Strategy**

T A

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

- Through site visits and supplier audits, we retain key engagement with our suppliers and our supplier code of conduct ensures they adhere to our standards.
- During 2023 we have engaged with suppliers on our environmental targets, including working with waste companies to improve recovery and recycling rates and working with our transportation network to calculate emissions.
- We believe in fostering sustainable partnerships and driving economic growth within our communities and we aim to provide the maximum opportunities to work with small businesses within our procurement processes. Our small business team works hard to identify and maximise the use of small business concerns, including small disadvantaged, women-owned, service-disabled, and veteran-owned businesses. Through this dedicated team, we engage with small businesses to continuously improve this programme

› **Read more on the work we have undertaken with suppliers in the Sustainability Report on page 42**

## 5 SHAREHOLDERS

**Strategy**

S T A R

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

- Regular dialogue takes place through open and frequent conversations. The AGM and half year and full year results provide a chance for a series of direct meetings to take place.
- There has been positive interaction from shareholders on the new STAR strategy, with the focus on delivery and operational performance. Other areas of conversation focused on the wind-down of the Armour business, details on the ramp-up of helmet programmes, and new product sales.
- This year we have also consulted with our major shareholders and invited feedback on the Directors' Remuneration Policy. We have received favourable responses and have held follow-up meetings with a number of shareholders to discuss the new policy

This direct engagement with shareholders representing c.45% of our issued share capital helped shape the Committee's thinking and development of the new policy, which was recommended to the Board for approval and will be subject to a binding shareholder vote at the 2024 Annual General Meeting (AGM).

## Non-financial and sustainability information statement

The table below illustrates where stakeholders can find information in respect of non-financial and sustainability matters, as required by the Companies Act 2006. We disclose non-financial information in the Sustainability section and throughout the Strategic Report as well as other referenced pages. We have a range of policies and guiding principles, some of which are published on our website, www.avon-protection-plc.com, or summarised within our Code of Conduct.

| Topic | Our policies and guiding principles | Where to read more |
|---|---|---|
| **Environmental matters and climate-related disclosures** | • Sustainability agenda<br>• Health and Safety Policy* | Page 41 Introduction to sustainability<br>Page 44 Environment<br>Page 50 TCFD disclosure |
| **Employees** | • Code of Conduct**<br>• Careers policy**<br>• Gender pay gap reporting**<br>• Employee engagement<br>• Respectful Workplace Policy*<br>• Speak Up*<br>• Health and Safety Policy* | Page 36 Stakeholder engagement<br>Page 46 Social<br>Page 48 Governance |
| **Respect for human rights** | • Code of Conduct**<br>• Modern Slavery Statement** | Page 46 Social<br>Page 48 Governance |
| **Anti-corruption and bribery matters** | • Anti-Bribery and Corruption Policy*<br>• Gifts and Hospitality Policy*<br>• Code of Conduct** | Page 48 Governance |
| **Social matters** | • Charitable Giving Policy*<br>• Code of Conduct** | Page 46 Social |
| **Business model** | | Page 16 Business model |
| **KPIs** | | Page 32 Financial and non-financial KPIs |
| **Principal risks** | | Page 62 Principal risks and risk management |

* Available to employees via Avon Protection intranet but not published externally

** Published on Avon Protection website and available to employees

SUSTAINABILITY

# WE PROTECT: OUR SUSTAINABILITY AGENDA

Protecting runs through our culture and is at the heart of everything we do to help protect lives. This extends to ensuring a sustainable future for us all through our approach to sustainability.

## Highlights

- Undertook extensive employee engagement to reaffirm our overall direction and identify opportunities to streamline initiatives within our sustainability agenda.
- Sustainability Steering Committee meetings dedicated to developing our sustainability agenda.
- The Board agreed on our sustainability objectives and targets.
- We integrated and aligned our approach to sustainability through our STAR strategy.

## Our approach to sustainability

We recognise our operations around the world impact a broad range of sustainability areas. We understand we must make progress in each of them to ensure we protect society. Identifying material issues and reflecting them in our sustainability agenda ensure we are progressing in the areas that matter most to our key stakeholders and addressing areas of potential risks and opportunities.

We undertook our first materiality assessment in FY22 to identify material environmental, social and governance (ESG) issues, which means they have the potential to substantively affect our ability to create value in the short, medium and long term, and are of importance to our stakeholders. We received feedback from employees, customers and shareholders during this process through surveys, peer reviews and one-to-one interviews which was presented in the 2022 Annual Report and Accounts.

We launched our sustainability agenda last year which was based around four pillars which considered the five most material sustainability areas presented during this work.

> **Read more about our materiality assessment on our website**

## Progress

This year we have been focused on delivering the detail behind our four pillars. We are taking a pragmatic approach by setting targets over the next five years to align with our business planning process.

During FY23 we evolved our sustainability agenda by undertaking strategy consolidation; the pillars have been redefined and expanded to better reflect our key stakeholders, each of whom has an important role to play in our sustainability journey. We also identified initiatives already underway or planned that could be streamlined and managed through our sustainability agenda.

## Governance

The Sustainability Steering Committee took part in three dedicated sessions. These sessions enabled us to determine our level of ambition, agree priority objectives which share synergies with our STAR strategy and agree targets to be delivered through our sustainability agenda which runs through to 2028.

Oversight from the Sustainability Steering Committee and members of the Executive Committee, as well as extensive employee engagement, ensures we focus on initiatives across the business that will deliver successful results. Our plan is to continuously assess, calibrate and build on this agenda as we become more knowledgeable about sustainability.

## Our sustainability agenda

Our sustainability agenda is underpinned by four distinct pillars: our planet, our supply chain, our customers and our colleagues and communities. Within each pillar, we have identified priority objectives, which will require initiatives to be established and will be closely monitored by the Board. Targets have been agreed against these ambitions and will help drive forward engagement. Each pillar also has a number of other focus areas that support the priority objectives and are necessary for us to manage as part of our day-to-day stewardship.

## Alignment to United Nations SDGs

The United Nations Sustainable Development Goals (SDGs) are a collection of 17 global objectives adopted by the United Nations in 2015 to eradicate poverty, protect the planet and build a peaceful and prosperous world. We continue to contribute to the SDGs through our sustainability agenda and have identified five SDGs which our four pillars align to. Throughout the year we undertake projects that contribute to other aspects of sustainability as part of our everyday stewardship and may also influence other SDGs.

An example of our contribution to SDG 12 (responsible consumption and production) was our work to improve operational efficiencies and reduce the amount of non-recyclable material used in our packaging of the FM61EU filters, which are deployed by NATO nations. Whilst reducing the amount of non-recyclable materials, we also improved the durability of the packaging to avoid the bag being punctured and losing its vacuum seal, rendering the filters unusable and supporting our customers to reduce waste from consumables.

## Alignment with our STAR strategy

The development of our STAR strategy has been an opportunity to align our sustainability agenda with our Group strategic priorities. The Sustainability Steering Committee was informed by this process when determining our priority objectives and focus areas.

> Read more on page 22

# OUR PILLARS

We are proud to introduce our sustainability targets which cover each of our four pillars. During the period we have been focused on collecting baseline data and establishing targets aligned with our STAR strategy to enable us to report on progress against our objectives in FY24. We have continued to drive sustainability with our focus areas in mind and can report on highlights from the year.

## OUR PLANET

Strategy

S T R

The climate impacts the life-threatening situations in which our products and services help save lives. Working towards our climate goal, building in more circularity and the targeted use of resources will help us mitigate and adapt to protect our planet

**UN SDGs**

### Our 2028 targets

- 5% reduction per annum scope 1 and 2 GHG emissions as a percentage of revenue (2021 base year)
- 5% reduction per annum scrap (percentage of scrap)
- 5% increase in revenue per square foot annually

### Highlights

- We wound down the Armour business during the period; emissions associated with this business are no longer part of the Group's continuing carbon footprint. This resulted in us restating an improved baseline and intensity target against which we have set our 5% reduction target.
- Net zero teams were established during the period to identify and implement opportunities to reduce energy use and GHG emissions. A plan is in place to meet our GHG reductions next year; see page 45.
- Purchase of low emission electricity has been reviewed and implemented where viable. We have reviewed opportunities for on-site renewable energy generation which we will continue to monitor.
- A requirement for each site to undertake Kaizens quarterly has been established to drive efficiency and develop employee lean thinking, with these starting in FY23.

## OUR SUPPLY CHAIN

Strategy

T A

Ensuring a continuous supply of high quality, ethically sourced raw materials and components is critical for us as a trusted partner. Supporting our value chain partners on their sustainability journey will ensure a resilient supply chain that protects the needs of our planet, customers and suppliers.

**UN SDGs**

### Our 2025 target

- 80% of our supply chain is reviewed against enhanced criteria (by spend)

### Highlights

- We worked with waste suppliers to drive improvements in data collection and improve opportunities to reduce waste to landfill.
- We have used Environmentally Extended Input-Output (EEIO) modelling to estimate carbon emissions from purchased goods which has identified materials and suppliers to focus our efforts on.
- We worked with our largest transport suppliers to increase data collection associated with calculating our scope 3 emissions from category 4 (upstream transportation).
- We have retained our Joint Supply Chain Accreditation Register (JOSCAR) accreditation.

**Links**

**Strategy**

**S** Strengthen **T** Transform **A** Advance **R** Revolutionise

## OUR CUSTOMERS

**Strategy**

**T A R**

Our customers carry out vital work in life-threatening situations – often in support of protecting the community. They can safely perform with confidence knowing that we protect at every interface with our products and services. From innovative design, to use, aftercare and data protection, we meet the changing needs of our customers.

**UN SDGs**

### Our 2028 targets

- Revenue increase revenue from new products (5 years)
- 4–7% R&D expenditure as a % of revenue
- Support our customers

### Highlights

- We introduced our FM50 and C50 respirators to the U.S. civilian market, providing wider access to our life-saving products.
- Our upgraded ST54 SCBA received certification to the NFPA 1986 Standard on Respiratory Protection Equipment for Tactical and Technical Operations, including NIOSH-CBRN certification, demonstrating to our customers that our products meet the most demanding standards.
- We achieved 4.2% R&D expenditure as a percentage of revenue during FY23, with R&D expenditure in Respiratory Protection including the development of the next generation of filters and diving masks. In Head Protection, we stand at the forefront of traumatic brain injury mitigation, harnessing funding to continue our vital research in this critical area. Working hand-in-hand with our customers on research and development programmes will continue to be an area of importance for us as we ensure our products align with their unique requirements.

## OUR COLLEAGUES AND COMMUNITIES

**Strategy**

**S T**

Our mission is only achievable as a result of our exceptional, highly engaged colleagues. As a major employer in the areas we operate in, community engagement is important to us, ensuring we contribute an inclusive workplace, with strong values and new opportunities for current and future colleagues.

**UN SDGs**

### Our 2028 targets

- 2.5% annual improvement in employee engagement
- Support local communities
- Support diversity, equity, and inclusion
- Fill more vacancies with internal hires and promotions

### Highlights

- 40+ employees were actively engaged in developing our STAR strategy. Everyone within the business also had the opportunity to contribute via surveys and focus groups.
- We launched a mentoring programme which is accessible to all employees.
- In October 2022 we approved a significant annual pay adjustment which reflected the impact rising costs are having on our employees.
- We contributed $124,706 to charities and good causes through our charitable giving programme and continued to support the Teams Forces Foundation as a Bronze member.
- We continued to create an environment where all females in the business can thrive by celebrating International Women's Day, conducting our Develop x Balance training workshop and becoming committed to being a menopause-friendly workplace.

# ENVIRONMENT

## HIGHLIGHTS

- **Cadillac facility certified to ISO 14001**
- **Net zero teams established at each site**
- **Irvine site switched to low emissions electricity**
- **Waste and water reporting centralised**

### Site management

We strive to operate to high standards and we operate an environmental management system. In addition to maintaining our existing ISO 14001 accreditation at two sites, we have achieved further certification at our site in Cadillac bringing this to three out of five manufacturing sites.

### Net zero journey

Last year we identified seven action areas for the business to focus on and verify over the coming years, to reduce our scope 1 and 2 emissions, and in parallel begin assessment of scope 3 emissions. These actions include:

1. embed a net zero mindset and assign accountability;
2. assess energy efficiency options;
3. assess renewable electricity options;
4. reduce natural gas consumption;
5. reduce other scope 1 impacts;
6. consider residual emissions; and
7. assess scope 3 emissions.

During FY23, cross-functional net zero teams were established at each site to encourage collaboration and increase engagement in support of net zero action 1. Each team reviewed the net zero actions with a focus on actions 2 and 3 where there were possible win-wins. The outputs were used to set targets for next year.

We plan to achieve our emission reductions next year, largely supported by actions 2 to 4 and underpinned by employee engagement (action 1). Next year we will review this exercise and intend to expand the scope to align it with our five year business planning process.

### Energy consumption

Our energy consumption in FY23 was 27,058 MWh; of this, the U.K. accounted for 45% of global energy use, we continue to see a reduction in energy use across our U.K. sites. Following the exit of the Armour business and resulting restatement we can see an improved trend for our U.S. sites. This year we are reporting 6.5% increase in the Group's energy use.

While verifying net zero actions, our net zero teams identified opportunities to reduce energy consumption which were actioned this year:

- An air loss survey carried out in Cadillac identified 47 air leaks which have been resolved.
- Two sites have been switching to LED lighting and where suitable automating lighting systems.
- One site has undertaken window tinting and door upgrades to improve temperature regulation and reduce loss of heat and air.
- A process for press temperature reductions has been established for periods of inactivity and encouraged through operator engagement and improved signage.

Kaizens have continued at all sites throughout the year which have identified opportunities to improve processes and are likely to have resulted in additional energy consumption improvements.

### Carbon disclosures

A representative at each of our sites has responsibility for the reporting of energy use throughout the year. The collected data allows us to calculate and monitor carbon emissions.

This year we restated our baseline scope 1 and 2 emissions to account for our exit of the Armour business. This significantly lowered our scope 1 and 2 emissions and intensity metric. This adjustment has been factored into target setting and means we have set our targets against a much lower and more challenging baseline for next year.

In FY23, we reported our carbon emissions amount to 6,986 $tCO_2e$ location based); of this, the U.K. accounted for 32%. U.K emissions have increased despite reduced energy use due in part to the conversion factors applied. Our market based scope 2 emissions reflect the sourcing decisions during the period which will be fully realised in FY24, demonstrating a 1.4% reduction in scope 1 and 2 globally. With a revenue of $243.8 million this gives us an intensity figure of 28.7 $tCO_2e$ per $m of revenue. The exit of our Armour business was a significant project and this year we restated our intensity figure to reflect this, resulting in a 39% improvement for FY22 (restated from 39.9 $tCO_2e$ per $million revenue).

### Scope 3 emissions

In FY23, we assessed the most relevant and influenceable elements of our scope 3 emissions. We conducted a screening exercise to determine this, considering factors such as ability to influence, anticipated size, sector guidance and data accessibility, which identified several exclusions not relevant to our business model, category 14 franchises and category 15 investment. We identified categories which were not expected to significantly contribute to total scope 3 emissions, where reporting would be impractical and difficult to calculate; category 10 processing of sold products, category 11 use of sold products and category 12 end of life treatment of sold products.

Based on this work and the use of EEIO modelling, purchased goods are understood to be the largest contributor to our footprint. We will work towards improving our disclosure of material scope 3 categories and will disclose this in full by 2025. We intend to build a more precise knowledge of emissions from purchased goods and plan to do this through the collection of scope 1 and 2 data from our supply chain which will be included in an enhanced survey.

### Water usage

We centralised the reporting of water usage from all manufacturing sites with the exception of one facility that does not receive water bills. Water usage is limited to mainly domestic use, for drinking, sanitary disposal and landscaping and this year we can report that across two sites we used 15,046$m^3$ of water. Where water discharges do occur due to product testing, they are disposed of in line with local government procedures.

### Waste

We established centralised tracking and monitoring of different waste streams by destination for all manufacturing sites which will enable us to report waste figures for all manufacturing sites in FY24. This year we can report across two sites that we disposed 567 tonnes of waste.

We have worked with our waste carriers to understand our waste disposal opportunities and started to assess the associated carbon emissions. One site installed a waste compactor to generate waste handling efficiencies and reduce the number of waste collection trips.

We carried out an awareness campaign and and provided information on the waste hierarchy to help employees make better waste disposal choices. Alongside this we updated waste signage for certain waste streams to improve visibility of opportunities to recycle and discourage the use of general waste bins.

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

## Net zero milestones

| FY21 | FY22 | FY23 | FY24 and beyond |
|---|---|---|---|
| • Baseline.<br>• Committed to achieving net zero by 2045 at the latest by reducing our absolute scope 1 and 2 GHG emissions. | • Data collection and reporting methodology improved.<br>• We identified seven net zero actions for the business to focus on and verify | • Set targets over the next five years aligned to business planning process.<br>• Exit of Armour business resulted in a restatement of our carbon emissions.<br>• Established net zero teams at each site to verify net zero actions.<br>• Carried out a screening of our scope 3 emissions<br>• Assessed low emission electricity and purchased where viable. | • Integration of carbon emission target into FY24 five-year business planning process to support net zero action 1.<br>• This year's emission reductions to be achieved through net zero actions 2 to 4.<br>• Net zero teams to review and expand net zero site plans beyond one year to enable us to report on a Group net zero plan and align this to our business planning process |

### Environmental incidents

There have been no environmental incidents as defined by the U.K. or U.S. Environment Agencies at any of our sites or in relation to our supply chain throughout the 2023 financial year.

### Greenhouse gas emission data (tonnes $CO_2e$)[1]

| | FY23 | FY22[2] | FY21[2,4] |
|---|---|---|---|
| **Scope 1** | | | |
| U.K. | 942 | 905 | 1,184 |
| Outside U.K.[3] | 1,418 | 1,120 | 809 |
| **Total** | 2,360 | 2,025 | 1,993 |
| **Scope 2 (location)** | | | |
| U.K. | 1,280 | 1,294 | 1,461 |
| Outside U.K. | 3,347 | 3,129 | 2,930 |
| **Total** | 4,627 | 4,423 | 4,391 |
| **Scope 2 (market)**[5] | | | |
| U.K. | 1,366 | 1,465 | 1,399 |
| Outside U.K | 3,173 | 3,139 | 2,978 |
| **Total** | 4,539 | 4,604 | 4,377 |
| **Total gross scope 1 and 2 (location)** | | | |
| U.K. | 2,221 | 2,199 | 2,645 |
| Outside U.K. | 4,765 | 4,249 | 3,739 |
| **Total** | 6,986 | 6,448 | 6,384 |
| **Intensity measure** | | | |
| Tonnes $CO_2e$ (scope 1 and 2) per $m of revenue[6] | 28.7 | 24.5 | 26.4 |
| Scope 3 | 2,975 | 2,148 | 1,997 |
| Business travel | 1,207 | 382 | 80 |
| Fuel and energy related | 1,768 | 1,766 | 1,917 |
| **Energy consumption scope 1 and 2 (MWh)** | | | |
| U.K. | 11,393 | 11,648 | 13,356 |
| Outside U.K | 15,665 | 13,764 | 13,456 |
| **Total** | 27,058 | 25,412 | 26,812 |

1 Relevant reporting period 1 October to 30 September

2 2021 and 2022 data has been restated to account for the exit of our Armour business

3 2021 scope 1 data has been restated to account for missing data [illegible] exceeded our materiality threshold [illegible] and we have assessed and revised our baseline

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

5 Market-based emission factors only include $CO_2$

6 The intensity figure is based on the adjusted emissions baseline and the adjusted revenue which excludes the Armour business

Data has been compiled according to the 'operational control' approach in the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and aligns to Streamlined Energy and Carbon Reporting. Data covers a 12-month period in line with our financial reporting period.

Overall consumption has been calculated using invoiced data for the reporting period. Estimated data is used where invoice data is not available within the timeline for consolidation of year end data. Two small offices use estimated emissions based on Carbon Risk Real Estate Monitor data for heating and electricity consumption per square foot.

Emissions factors for most of scope 1, 2 (U.K. only) and 3 have been calculated using 2020, 2021 and 2022 U.K. Government GHG Conversion Factors, and methodologies published by the Department for Business, Energy and Industrial Strategy. The most up-to-date EPA eGRID conversions are used for U.S. electricity. For 2023 reporting the most recent electricity U.S. factors are 2021.

We have applied the GHG Protocol data hierarchy to the market-based method. We have obtained emissions factors for the relevant tariff and/or supplier for the applicable year. If sites consume carbon-free electricity this has been applied to the calculations. Where these are not available in the U.S., we use the U.S. Green-e Energy Residual Mix Emissions Rate or location-based emission factors in the absence of contractual information.

The carbon-free generated energy is verified via emission-free energy certificates. The certificates are managed and cleared by third party PJM Environmental Information Services' Generation Attribute Tracking System. They ensure veracity by creating standards which verify no double selling of the same certificate. Avon Protection has purchased certificates to cover 100% load at one location starting in June 2023.

Scope 1 and 2 sources (location based) have been divided by the annual revenue to provide the intensity ratio ($tCO_2e$ per $m).

Business travel data (air only) is taken from our travel management companies.

> **For more information please see the accompanying document document that will be available early next year on our website**

### Environmental data[1,2]

| | FY23 | FY22 |
|---|---|---|
| Water usage ($m^3$) | 15,046 | 13,521 |
| Waste (tonnes)[3] | 567 | 499 |

1 Relevant reporting period 1 October to 30 September

2 Includes data from two manufacturing sites. This data set will be expanded to all manufacturing sites in FY24 where data is available

3 Excludes the weight from hazardous waste disposal in our U.K. facility

# SOCIAL

## HIGHLIGHTS

- **74% participation in our annual Employee Opinion Survey**
- **40+ Employees involved in developing our STAR strategy**
- **Introduced our Mental Health Allies network for peer to peer support**
- **Launched a mentoring programme which is accessible to all employees**
- **$124k has been donated to charitable giving causes in FY23**

### Employee engagement

We are committed to improving engagement across all sites and providing an environment where all employees can fulfil their potential.

Maintaining high levels of communication with all employees is a focus across the Group. When Jos Sclater joined the business, he visited each site within his first six weeks to introduce himself to all employees, set out his vision and invite all questions. Throughout the year our Executive Committee has regularly visited all sites and hosted events to provide an update on performance, strategy and future focus areas.

We greatly value employee feedback and have continued our initiative to celebrate and enhance the culture at Avon Protection. Culture champions have been selected from each level of the organisation with the intention of playing a crucial role in maintaining an open communication culture within the Group. Their roles include speaking to our employees on matters such as leadership, learning and development, and social connection. This year we expanded our network to ensure our remote workers were represented, recognising the unique challenges this Group may face.

74% of employees took part in our annual Employee Opinion Survey which provides them with further opportunity to provide feedback and suggest improvements on aspects such as leadership, communication, employee engagement, team culture and the work environment. Results from these surveys are presented to the Board of Directors, the Executive Committee and wider leadership teams with areas of improvement. Our Culture Champions support the implementation of these changes and give feedback to employees.

We undertook a series of engagement activities during the development of our new STAR strategy recognising that our people and culture are paramount to our success. We invited 40+ employees representing a cross-section of functions and experience levels to be actively involved in the process which included participation in a series of workshops. We also appointed Strategy Champions and provided opportunities for all employees to offer feedback via surveys. We were pleased with the level of engagement this process received and intend to utilise our Strategy Champions to review the strategy process more frequently to ensure it remains relevant and fit for our changing business.

### Health, safety and wellbeing

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

Demonstrating our commitment to safety, we target an incident rate of zero, this year across all sites, we recorded a total of 15 workplace lost time cases. We have successfully rolled out training to all U.K. employees using an online hub and we piloted and rolled out a cloud-based environmental health and safety and quality management solution at a U.S. site. This automates safety, risk and compliance processes.

The health and wellbeing of our employees is important to us and throughout the year we share resources with them on how to look after their mental and physical wellbeing. We hold a multitude of wellbeing webinars based on key topics throughout the year, such as work-life balance, exercise and seasonal nutrition.

To reinforce the importance we place on providing more support, we partnered with Mental Health at Work to implement a Mental Health Allies network across the business. Mental Health Allies are a network of trained employees who have volunteered to be available to anyone in the organisation who would like a confidential one-to-one conversation and are familiar with policies and procedures and can signpost to further resources within and outside our business if needed. By providing this network of skilled listeners, an informal and trusted network of mental health support is created.

## Diversity, equity and inclusion

We are committed to the fair treatment and full participation of all people and recognise diversity provides a better culture for all.

Female representation across our Executive Committee and direct reports is 19% and we are committed to improving this in the future. Across all employees, we have achieved a ratio of 44.8% (416 out of 928) female and 55.2% (512 out of 928) male).

We continue to support our pledge to improve the balance of female to male employees across our sites and as part of this we have signed the Women in Defence U.K. charter for the second year. The charter reflects our aspirations to see women represented and empowered across the defence sector and our intention to work with fellow industry leaders to enhance the gender balance.

Our well established Balance@Avon initiative continues to motivate, empower and support all employees, particularly those who may feel that they are in the minority. The Balance@Avon team has also rolled out a mentoring programme which was made available to all employees across our sites. As part of this, mentors and mentees received formalised training from a professional tutor. We also continued to create an environment where all females in the business can thrive by celebrating International Women's Day, conducting our first Develop x Balance training workshop and becoming committed to being a menopause-friendly workplace.

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 FY22 (reported in April 2023) is 36.4%. The pay gap is due to the Company having more women in operations and assembly roles in the lowest quartile (57.1%) compared to more men in the top quartile (80%) and does not stem from paying men and women differently for the same or equivalent work. While the percentage of men in the upper quartile pay has reduced since FY20, our existing focus to address the gender balance at our Company leadership team levels continues through initiatives such as Balance@Avon, which will help to close the overall pay gap with more female representation at this level.

> **Read more about our gender pay gap data on our website**

## Personal development

We strive to provide an environment that offers training and development opportunities for all. We have continued with our Professional Development Programme, 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 Committee members who provide a source of advice and support for the participants in addition to their line manager.

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

We believe our employees thrive the most when they can improve and enhance their skill sets and work on their personal development. We provide our employees with access to tools, such as LinkedIn Learning, to help with their career progression and personal development in whichever way works best for them. With over 1,000 hours of LinkedIn Learning viewed over the past year, it has proven to be an invaluable tool for our employees to complete online courses in any areas of interest to progress their career paths and expand knowledge.

## Pay and benefits

In October 2022 we approved a significant annual pay adjustment which reflected the impact rising costs are having on our employees.

We have continued to seek guidance from an HR consultant to help us define our remuneration philosophy and review pay and benefits in order to retain and attract talented individuals.

## Community engagement

We continually work with and for the communities in which we operate, recognising our role as a major local employer. We sponsored two programmes in partnership with Bath Rugby: Attacking Maths and Girls' Participation Hubs, with the aim of creating a positive social impact in our local region. These sessions promote health and wellbeing and develop numeracy skills.

We have recently expanded our support to the Team Forces Foundation, a charity that provides financial grants to help make sport and adventure more accessible to those who serve in the British Armed Forces. Through this, we sponsored the Forces Wives Challenge on its Ride to Freedom in June 2023. The team of eight military wives completed its horse ride across the testing terrain of the Pyrenees to demonstrate the power that adventure can have on those living with physical disabilities, mental health and chronic illnesses.

In addition to partnering with not-for-profit and charitable organisations, we continue to encourage our employees to use the charitable giving programme through which employees can request donations or match funding for causes close to them. This year our incredible employees across our sites have participated in fire walks, hikes, abseiling and marathons in support of their local communities. Over $121k has been donated to charitable causes during the period.

# GOVERNANCE

## HIGHLIGHTS

- **Launched our annual Code of Conduct training**
- **Mandatory cybersecurity training campaign launched**

## Code of Conduct

Our Code of Conduct ('the Code') is a Company-wide policy that defines the standards of behaviour for everyone who acts for or on behalf of Avon Protection. 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. To support employees, we have launched annual Code of Conduct training to raise awareness and cover key areas of the Code such as protecting and handling Company resources, conflicts of interest and bribery, diversity and inclusion and being alert to unsafe scenarios. 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.

> **Read more about our Code of Conduct on our website**

## Bribery and corruption

We have implemented systems to advocate our zero-tolerance approach to bribery and corruption to ensure the highest standards of governance and ethics. Employees can give honest feedback or express concerns if there are any practices that they feel uncomfortable with, allowing us to take corrective actions when mistakes happen. Our approach to bribery and corruption outlined in the Code 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. In the next year, we plan to conduct training on anti-bribery and corruption demonstrating the importance we place on this

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

## 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.

> **Find our Modern Slavery Act Statement on our website**

## Respectful Workplace Policy

Our success depends on our people. Avon Protection values its employees and is committed to equality of opportunity in all employment practices, policies and procedures. 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.

## Speak Up

The 'Speak Up' platform is designed for all employees to anonymously report any behaviour which may be a breach of the Code or 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.

## Supply chain

We have an established supplier Code of Conduct in place and undertake supplier audits to ensure suppliers adhere to our standards. This sets a minimum set of requirements for our suppliers to adhere to and encourages suppliers to implement their own Code of Conduct for their employees and to cascade this throughout their supply chain. If suppliers have concerns regarding any matters covered in the Code, we expect them to bring these to our attention.

We have retained our JOSCAR membership which ensures companies only use products and solutions of the highest quality and comply with best practices which helps the supplier and buyer. This membership is a collaborative tool used by the aerospace, defence and security industry to act as a single repository for pre-qualification and compliance information. Using JOSCAR can determine if a supplier is 'fit for business'.

## Data and cybersecurity

As a contractor to militaries, we handle defence related data. Through our work with the U.S. DOD we are subject to the International Traffic in Arms Regulations (ITAR) which mandate that access to data related to defence and military technologies is restricted to U.S. citizens only. A violation of ITAR could result in fines and/or loss of export licences. As with many organisations, we face risks from external threats that could cause sensitive data to be lost, corrupted or accessed by unauthorised users, leading to financial or reputational loss.

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

We launched a mandatory cybersecurity training campaign to help foster our security culture and covered modules on physical security and cybersecurity as well as how to report suspicious emails, and we are on track to be compliant with CMMC 2.0 requirements.

## Product development

Product safety and quality is at the core of all our business practices and we place high value on the business assurance that comes with our ISO 9001:2015 certified quality management system. We are certified to this at all five manufacturing sites. The majority of our products are approved to customer industry safety standards which involves rigorous testing such as NIOSH and CE. 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.

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

# OUR APPROACH TO TCFD

## TCFD COMPLIANCE STATEMENT

In accordance with the Listing Rule 9 8 6 R(8), we confirm Avon Protection has made climate-related financial disclosures consistent with the four Task Force on Climate-related Financial Disclosure (TCFD) recommendations and 11 recommended disclosures. This includes consideration of section C of the TCFD Annex entitled 'Guidance for all sectors' excluding full scope 3 disclosure and limited cross-industry climate-related metrics[1] due to limitations in our data; in 2024 we will focus on developing capabilities, identifying material cross-industry climate-related metrics and data collection to enable disclosure of full scope 3 emissions and additional cross-industry climate-related metrics, in our annual report for the period ending 30 September 2025.

## GOVERNANCE

### a. Describe the Board's oversight of climate-related risks and opportunities

The Board oversees and has overall responsibility for our Group risk framework including the management of climate-related risks and opportunities and delivery of our sustainability agenda. Our four Board Committees act on behalf of the Board and each have distinct responsibilities relating to sustainability and climate matters.

Our CFO, Rich Cashin, is the Executive Director with responsibility for overseeing our sustainability agenda across the business, which includes climate-related risks and opportunities, and chairs our Sustainability Steering Committee ('Steering Committee'). The Steering Committee meets bi-monthly and is responsible for ensuring the Board and its Committees are updated on all key climate-related matters.

In FY22 we developed our first set of non-financial KPIs including a metric related to climate change which are presented to the Board annually.

#### Board highlights

- Sustainability and climate matters have been discussed as an agenda item at Board meetings on two occasions this year. This included reviewing and approving our climate-related objectives and targets, which are delivered through our sustainability agenda.
- A key deliverable for the year was the establishment of our new Group strategy. This milestone deliverable will improve the Board's visibility of a number of key metrics and targets including those related to climate and sustainability which will be included in the quarterly reporting starting in Q1 FY24, this will replace existing processes.
- The Audit Committee reviews climate-related risks and opportunities alongside other risks on a quarterly basis as part of the Group risk framework; in addition it reviews the updated climate register annually. This year the Board specifically considered our revised and expanded climate disclosures in context of the changing regulatory environment.
- In July, the Executive Committee discussed the sustainability objectives and targets with regard to strategy; this included a scope 1 and 2 emission target.

**Read more about:**


> Our governance structure on page 76

> Our Board of Directors on page 74

> Our Pillars on page 42


### b. Describe management's role in assessing and managing climate-related risks and opportunities

Management is responsible for assessing and managing climate-related risks and opportunities at an operational level. To ensure a centralised approach the Steering Committee was established in 2022, chaired by our CFO. The Steering Committee liaises with management teams on sustainability and climate matters and the outcomes of these discussions are reported at the bi-monthly meetings.

#### Management highlights

- The Steering Committee dedicated three sessions during the period to review and validate the sustainability agenda, one of which was led by our external sustainability consultant. During these meetings the Steering Committee set ambitions for delivering progress through our sustainability agenda and established formal objectives and targets. Targets were selected that had synergies between climate, sustainability and our Group strategy.
- We recognise the importance of ensuring our management has the necessary knowledge and skills to understand and manage climate-related risks and opportunities In December 2022, our sustainability team delivered sessions to the Executive Committee and site management to introduce them to our sustainability agenda and climate-related risks and opportunities
- Cross-functional working groups were established during the period to identify opportunities to reduce energy use and carbon emissions. These net zero teams encouraged collaboration between departments and identified additional opportunities to reduce our impact that would not have been achieved without this broad engagement.
- The Steering Committee utilised employee engagement forums extensively to provide feedback on the sustainability agenda and the proposed set of objectives and targets
- The updated strategy process will improve the management of risk including climate-related risk by integrating risk management into strategic priorities.

[1] Further assessment of materiality is required to determine the relevance of reporting the following cross-industry climate-related metric categories, transition risks, physical risks, climate-related opportunities, capital deployment and internal carbon prices Following this assessment we will establish data collection processes and plan to disclose these metrics in full in our Annual Report & Accounts for the period ending 30 September 2025

# GOVERNANCE CONTINUED

## Our Board Committees' oversight of sustainability and climate-related risks and opportunities

**Board of Directors**
The Board oversees and has overall responsibility for our Group risk framework including the management of climate-related risks and opportunities and delivery of our sustainability agenda.

**Audit Committee** > See page 82
(Meets quarterly)
Principally responsible for overseeing our Group risk framework including the effectiveness of the management of climate-related risks and opportunities.

**Nomination Committee** > See page 80
(Meets quarterly)
Responsible for ensuring the membership of the Board and the pipeline for succession planning purposes reflect diversity.

**Remuneration Committee** > See page 86
(Meets quarterly)
Responsible for remuneration policies and packages, including considering the suitability of establishing climate and sustainability targets in the executive remuneration structure.

**Executive Committee**
(Meets monthly)
Responsible for overseeing the delivery of our sustainability agenda through strategic priorities including decarbonising our operations and value chain to meet our emissions reduction target.

### Our management teams

**Steering Committee** – The Steering Committee is comprised of leaders from across the business, including members of the Executive Committee, the Risk Committee and the sustainability team, and has oversight of all sustainability activities including managing and accessing climate-related risks and opportunities. The Steering Committee is responsible for overseeing the delivery of a sustainability agenda, making recommendations to the Board and Board Committees, and communicating with the business and management teams.

**SBU management teams** – The SBU management teams oversee divisional integration of risk management into each strategic priority including the consideration of climate-related risk

**Risk Committee** – The Committee provides an internal review of the Group risk framework and makes recommendations to the Audit Committee

**Sustainability team** – The sustainability team manages the agenda and provides updates to the Steering Committee at every meeting. It has day-to-day oversight of climate matters and is responsible for ensuring data such as our greenhouse gas emissions is collected and reported.

**Net zero team** – The site-based working groups are made up of environmental specialists and functional representatives The teams were established to identify and co-ordinate opportunities to reduce energy usage and emissions at each site and report to the sustainability team on progress

**Employee engagement forum** – Feedback is sought directly from a cross-section of employees or business functions on sustainability and climate matters through surveys and focus groups to soundboard ideas.

# STRATEGY

### a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term

This year we reviewed our climate-related risks and opportunities and refined those we deemed material. We also enhanced our qualitative understanding of these material climate-related risks and opportunities via the use of two scenarios

Through this we identified the primary scenario with the greatest impact for each risk, and categorised their financial impact in the short, medium and long term. The results of this assessment are presented on the following page. Against each material climate-related risk and opportunity we have developed our strategic response

We determined appropriate time horizons for considering the impact of climate change on the Group based on financial and planning periods.

**Short term – 2024 to 2028**
Aligns to our five-year business planning process and sustainability targets

**Medium term – 2028 to 2038**
Aligns to multi-year contracts and market

**Long term – 2038 to 2045**
Aligns to Avon Protection's commitment to being net zero by 2045 at the latest by reducing absolute scope 1 and 2 GHG emissions

### Process for identifying material risks

An extensive list of climate-related risks and opportunities relevant to Avon Protection has been identified using data sources such as climate change and relevant sector literature, peer review and TCFD guidance.

Each division identifies its own climate-related risks and opportunities and assesses them alongside the wider risk landscape for likelihood and impact using bespoke financial and non-financial impact measures as outlined on page 62. This is a measurement of net risk and considers the effectiveness of existing mitigations. The Group uses divisional scoring and relevance to strategic priorities to determine climate-related risks and opportunities to undergo further analysis.

This final list of risks and opportunities is selected for climate scenario analysis, undergoing expanded analysis by SBU. This ensures Avon Protection prioritises resources in managing the most material climate-related impacts.

> Read more on page 62

### Physical risks

We have considered the susceptibility of all of our operations to physical risks arising from climate change focusing our analysis on our five manufacturing sites located in the U.K. and U.S. Sites are routinely audited against five natural hazards which identified low flooding exposure, and no significant wind, hailstorm or fire exposures across all our sites (though wildfire mapping is currently limited) We have supplemented this analysis with water stress analyses (based on the Aqueduct Water Risk Atlas) covering all our manufacturing sites which align with our climate scenarios.

| Category | Description | Primary potential financial impact |
|---|---|---|
| **TRANSITIONAL RISKS** | | |
| Policy and legal | | |
| **Carbon pricing and taxation** | The introduction of taxes or other costs associated with GHG emitting fuels and operations may result in increased cost of products and services both purchased and sold by Avon Protection. | Increase in operating costs via taxes and levies for energy and fuel use. |
| **Regulation and policy burden and exposure to litigation** | Failure to manage stakeholder expectations relating to climate-related issues may result in fines and reputational damage and limit our access to investment. | Greater regulatory requirements result in additional operating costs. |
| Technology | | |
| **Shift to low carbon technologies** | Decarbonisation of our operations may require additional investment to transition equipment and infrastructure to lower emission technologies. | Capital expenditure required to reduce emissions and switching energy sources. |
| Market | | |
| **Changing customer requirements** | Changing customer preferences and sensitivity to environmental factors could mean our existing technology is unable to meet requirements set in new bids or contracts. | Shift in customer requirements results in loss of revenue and early retirement of products. |
| **PHYSICAL RISKS** | | |
| Acute and chronic – changing weather patterns and extreme weather events | | |
| **Disruption to operations** | Operational exposure to extreme weather events such as heatwaves, fires, high winds and flooding varies depending on the particular hazard and site. Overall, such events may reduce productivity and/or result in costs to repair damage. | Loss of revenue whilst sites are not fully operational, higher insurance premiums to mitigate potential loss of profit or repair costs. |
| **Disruption to supply chain and access to materials** | Our supply chain could become susceptible to climate-related disruption which may impact our access to raw materials and ability to deliver against orders. | Loss of revenue through delays to production, increased costs when obtaining alternative supplies of material. |
| **OPPORTUNITIES** | | |
| **Physical – increased demand** | Increased occurrence and severity of natural hazards associated with climate change may impact the global security environment and demand for our range of protective equipment within existing and new markets. | Increased sales opportunities for our existing products with new and existing customers. |
| **Transitional – resource efficiency** | Focus on energy efficiency and reduction of waste to reduce emissions may generate savings in raw materials and energy use. | Reduced reliance on fossil fuels and material consumption efficiencies result in reduced materials and production costs. |

| Potential annual financial impact Short 2024–2028 | Medium 2028–2033 | Long 2033–2045 | Scenario with greatest financial impact | Strategic response |
|---|---|---|---|---|
| Insignificant | Low/ medium | Medium/ high | <2°C | We are reducing exposure to GHG through our sustainability targets to 2028 which are aligned to our STAR strategy. This includes a scope 1 and 2 GHG emission target as well as a target for enhanced supplier engagement to allow us to improve visibility of value chain GHG emissions.<br>To negate risk from cost changes we negotiate fixed price protection and price escalation clauses to ensure we remain profitable over the duration of contracts. We also operate in a special st market where there are only a few manufacturers that currently meet the stringent requirements of our customers and who will be subject to similar cost challenges. |
| Insignificant | Low | Low | <2°C | Emerging policy and regulations are monitored and escalated through our governance structure as appropriate. Where additional support is required, the business utilises external experts in sustainability and climate matters to advise our teams |
| Low | Low/ medium | Low/ medium | <2°C | We have established cross-functional net zero teams at each of our manufacturing sites to identify, monitor and action initiatives to reduce energy and GHG emissions. Initial focus for these teams has been on energy efficiencies and investments that can be quickly implemented such as LED lighting retrofits. Purchase of low emission electricity has also been reviewed and implemented where viable.<br>Net zero teams will continue to develop further initiatives and track emerging technologies and related investment cases for renewable alternatives |
| Insignificant | Low | Medium | <2°C | We maintain close relationships with customers, working collaboratively to understand their future requirements and ensuring these are factored into product development at the earliest stage |
| Low | Low/ medium | Low/ medium | >2°C | All sites comply with and adhere to local climate-related public instruction and guidance, and have suitable insurance cover. We will continue to monitor the sites' exposure to extreme weather events and update business continuity planning. |
| Insignificant | Low | Low | >2°C | We have alternative sources for raw materials used in key products to mitigate risk from the loss of critical suppliers and look to identify dual sources as part of new product approvals. Where this isn't possible, sole source dependencies are subject to enhanced monitoring |
| Low | Medium | Medium/ high | >2°C | We believe there are opportunities for increased demand within both climate scenarios and continue to invest in research and development so we are well placed to deliver innovative solutions that meet customer requirements.<br>As an example, we see an opportunity within helmets for our enhanced protection solutions as a result of a shift to more levels of people working in dangerous environments such as search and rescue. |
| Low | Low | Medium | <2°C | We plan to undertake quarterly Kaizen activities at each of our sites and educate employees on lean thinking to identify opportunities to be more efficient with resources. The first of these Kaizen activities has taken place in 2023. |

Overall, the Group has assessed the potential impact of climate change to be low in the short term (to 2028). Beyond 2028 although there are potential costs associated with climate change, these are balanced with significant opportunity for increased demand for our protective products in a changing global security environment.

## STRATEGY CONTINUED

### a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term continued

One of our sites has been identified as being located in an area of very high water stress which was present under both climate scenarios. This site is also susceptible to earthquakes which is factored into its insurance and business continuity planning

Our scenarios anticipate the occurrence of extreme weather events will change over time and we will continue to monitor sites' susceptibility and update methodologies for assessing resilience.

**High risk exposure to natural hazards and weather events by site.**

| Country | Site | Water Stress | Earthquake |
|---|---|---|---|
| U.K. | Melksham, Wiltshire | | |
| | Cadillac, Michigan | | |
| | Irvine, California | X | X |
| | Cleveland, Ohio | | |
| U.S. | Salem, New Hampshire | | |

### b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

#### Products and services

Government policies and climate change awareness are beginning to alter the bid and tender processes in countries with strong climate commitments. As our products are critical to protecting users in life-threatening situations we do not see sustainability and climate performance taking precedence over user safety. There is, however, an opportunity to lead innovation through the development of lower impact products, where these do not compromise on performance or capability.

We partner closely with our customers and obtain continuous feedback from the user base to design products which meet their developing sustainability needs. This makes customers a key stakeholder in our sustainability journey, and we have recognised this through the establishment of our customer pillar.

> See more on pages 37 and 43

#### Operations and supply chain

Our operational footprint covers five manufacturing sites across two developed markets which are expected to have increasing levels of climate scrutiny. The potential cost associated with GHG emitting fuels and shift to decarbonise our operations may increase cost to make or purchase products. There is also a low risk that climate change could disrupt our ability to operate in certain locations or disrupt our ability to source products.

We have committed to reducing absolute scope 1 and 2 emissions to zero by 2045 at the latest (our 'net zero commitment').

This year we have established targets which form part of our sustainability agenda and align to our STAR strategy including an emissions target and a plan to undertake enhanced supply chain screening which will help to inform us of emissions hotspots in our supply chain.

During FY23 we established net zero teams at each site to identify and implement easy wins that will help us to achieve our emissions reductions. They also identified emerging technologies and assessed the long-term feasibility of purchasing renewables or low emission electricity.

Alongside this we have been focused on footprint optimisation and each site has undertaken a series of Kaizens to drive efficiency and develop employee lean thinking. This will continue to be a focus of our STAR strategy and will support our net zero efforts.

> Read more on pages 26 and 42

#### Strategy

Capital improvements needed to decarbonise our operations to meet our net zero commitment may compete for our capex and internal resources.

The launch of our STAR strategy was a major business deliverable this year and sets a solid foundation for assessing and mitigating the impact of climate-related risks and opportunities going forward. During the period, risks and opportunities associated with climate change alongside other Group risks were considered as part of the process to prioritise strategies. Next year we plan to further embed climate risk management into our STAR strategy and identify further options to mitigate or reduce the potential negative impacts.

> Read more on page 22

#### Investment in research and development

We may have to invest in new and alternative technologies to meet our own net zero commitment and meet customer requirements

We have set a target for research and development investment within our sustainability agenda to 2028. This is the first step in aligning investment in new products with our sustainability goals.

> Read more on page 20 and 21

#### Access to capital

Poor ESG performance could reduce our access to investment overtime if we do not deliver against our commitments.

Over the medium to long term, we consider continued progress towards our net zero commitment and wider climate objectives will prevent any negative impact on access to debt or equity funding.

#### Acquisition or divestment

Climate-related metrics for future acquisition targets would be assessed during due diligence where material and relevant information is available.

During the period, the Group divested its Armour manufacturing operations in Lexington. Emissions associated with this site are therefore no longer part of the Group's continuing carbon footprint which resulted in us restating our baseline.

#### Financial planning process

We recognise that climate-related risks and opportunities can have financial impact on revenues, costs and expenditures; see table on pages 52 and 53. The related impact on financial reporting estimates and judgements is summarised on page 137.

This is the first year we have included an emission-based target in our budget, supported by planned FY24 initiatives. We recognise this is the first step in maturing our financial planning process and ensuring delivery of emissions reduction targets. A similar process is planned to be incorporated into next year's updated five-year plan.

We carried out an impact assessment for climate risks and opportunities on the overall Group and SBU operations. This identified the related primary financial metric and impact thereon, as summarised in the table on page 52.

# STRATEGY CONTINUED

## c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

### Approach to scenario analysis

TCFD recommends the use of climate scenarios to assess the resilience of businesses to climate change. This is the second year Avon Protection has used scenario analysis to assess potential risks and opportunities related to climate change, and their resulting impact on Group strategy.

In 2022, we received technical advice to help select appropriate climate scenarios.

This year we built upon previous qualitative analysis by applying scenarios to climate-related risks and opportunities and assessing their impact on key financial metrics.

### Our climate scenarios

Our two climate scenarios align with TCFD guidance, and use economic constraints associated with the International Panel on Climate Change's (IPCC) Shared Socioeconomic Pathway 2 middle of the road scenario:

- >4°C informed by RCP[1] 8.5 is an extreme physical risk scenario. Under this scenario there is no additional action policy or regulatory interventions which leads to global temperatures rising between 4.1–4.8 °C by 2100.
- <2°C informed by RCP[1] 2.6 is an extreme transitional risk scenario. Under this scenario, early action is taken to rapidly reduce greenhouse gas emissions and limit global warming to 2°C or lower by 2100

1 The IPCC adopted the Representative Concentration Pathway (RCP) to provide plausible descriptions of how the future may evolve with respect to a range of variables including socio-economic change, technological change, energy and land use, and emissions of greenhouse gases and air pollutants

We have made the following assumptions:

- Avon Protection's business activities will be static over time. This means impacts have been considered for the existing operating model, current locations and product portfolio.
- Mutual exclusivity has been assumed for each risk and scenario when in *reality they may occur in parallel (aggregated) or offset each other.*
- No action has been taken by Avon Protection to mitigate or limit the impacts of each risk.

### Resilience statement

The output of scenario analysis indicated that transitional risks could have a greater impact in a <2°C or lower scenario. The development of our sustainability agenda focuses our efforts on material themes which will help the business build resilience to the effects of policy, legal, technology and market risk across its strategic priorities. The inclusion of targets to reduce emissions and encourage resource efficiency provide Avon Protection the opportunity to maximise potential cost savings.

The potential impact of physical risks could be more pertinent in the >4°C scenario. Each site is sufficiently insured for the physical risks they are exposed to.

We have strong relationships with customers and are well positioned to maximise opportunities in increased demand offered by both scenarios.

The impact of climate change on costs is not expected to be material, after considering the strategic response we have in place and the potential opportunities which manifest under both scenarios.

We recognise that scenario analysis will be developed over time. As we launch our new STAR strategy we will look at further opportunities to build climate change consideration into our strategic priorities and review resilience.

# RISK MANAGEMENT

## a. Describe the organisation's processes for identifying and assessing climate-related risks

In 2021, sustainability (including climate-related risks and opportunities) was identified as emerging risk and was added to our Group register as a principal risk in 2022.

In 2022, we worked with a sustainability consultant to initially support us in identifying climate-related risks and opportunities. The identification and assessment of climate-related risks and opportunities has now been fully integrated into the Group risk management process.

This year we reviewed and assessed our material climate-related risks and opportunities (see process of identifying material risk outlined in Strategy section part a).

See how we identify and manage risk on page 62 for details on our approach to determining relevance of climate-related risks against other risks using bespoke impact assessment measures.

> Read more on page 62

## b. Describe the organisation's processes for managing climate-related risks

The SBU management team is responsible for the identification, assessment, management and reporting of climate-related risks specific to delivering their divisions' strategy in accordance with the Group risk framework.

The Risk Committee reviews the divisional risk registers, providing a second level of assurance, confirming which risks are considered high for reporting to the Audit Committee.

The Audit Committee reviews high Group climate risks. This year we introduced risk appetite into the discussion which was set by the Board and established a desired approach to risk mitigation, a process we hope to advance and embed into the STAR strategy

We review our climate register annually, an exercise supported by members of the Executive Committee and SBU management, assessing financial impacts over different time horizons for our climate scenarios (see summary table provided in Strategy section).

This was the first time our climate register was reviewed by the Audit Committee.

The overall process ensures material risks are covered by an appropriate existing or planned strategic response

## c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

> See Risk Management section parts a and b

# METRICS AND TARGETS

## a./c. Metrics used to assess climate-related risks and opportunities and the targets we use to manage the risks and opportunities and performance against targets

The table on page 57 illustrates the key metrics we use to assess and manage our climate-related risks and opportunities. We have selected these as the data is readily available and comparable. Progress has been made to expand yearly reporting to include water usage and waste in line with stakeholder expectations.

### Targets and progress

During the period we have evolved our sustainability agenda, the pillars have been redefined and expanded to ensure we consider sustainability matters relevant to all key stakeholders. Targets for each pillar were selected based on ambition of the business, alignment to Group strategy, consideration of climate-related risks and opportunities and regulatory requirements.

Within our sustainability agenda, we have committed to reducing our scope 1 and 2 emissions by 5% relative to revenue per annum (intensity) which supports us in starting our journey to achieving net zero by 2045 at the latest by reducing our absolute scope 1 and 2 emissions (2021 baseline). We plan to meet our interim target and net zero commitment through seven actions which are described on page 44. Meeting this interim target over the next five years will reduce our exposure to increased pricing of GHG emissions or costs of carbon offset, encourage efficiencies and reduce likelihood of negative stakeholder feedback. We still consider tonnes of $CO_2$e per \$m of revenue as the most appropriate operational key performance indicator to manage climate-related risks and opportunities facing the business.

We have also established targets which indirectly support the reduction of scope 1, 2 and 3 emissions. These metrics are considered relevant to our climate-related risks and opportunities, in particular, carbon price and taxation, transitional resource efficiency and regulation and policy burden, exposure to litigation.

- We have set an annual scrap reduction target of 5% per year as a percentage of scrap, to 2028
- We have set an annual target to increase revenue per square foot by 5% per year, to 2028.
- We have set a target to screen 80% of our supply chain by 2025 (per spend), against enhanced sustainability criteria.

The launch of our STAR strategy was a key deliverable for the business and as such climate-related objectives did not feature as part of the bonus scheme this year for the Executive Committee. The STAR strategy establishes a platform for assigning accountability to our Executive Committee and its management team and the Remuneration Committee will be developing new policies to reflect these changes. It's not anticipated that sustainability objectives will feature; rather they are embedded across the delivery of strategic priorities. Noting a portion of Executive Director bonus this year is attributed to the delivery of ESG targets as set out on page 93.

## b. Disclose scope 1, scope 2, and scope 3 greenhouse gas (GHG) emissions and the related risks

We report our scope 1, 2 and 3 emissions, in compliance with Streamlined Energy and Carbon Reporting.

During the period and in line with expectation we assessed the most relevant and influenceable elements of our scope 3 emissions. We conducted a screening exercise to determine this, considering factors such as ability to influence, anticipated size, sector guidance and data accessibility which identified several exclusions and areas of data shortcomings detailed on page 44. Based on this work and the use of EEIO modelling, purchased goods is understood to be the largest contributor to our footprint; as we mature our scope 3 calculations we will disclose additional categories and aim for full disclosure by 2025

FINANCIAL REVIEW

# SIGNIFICANT GROWTH OPPORTUNITY

“

## FULL YEAR RESULTS UNDERPINNED BY A SIGNIFICANT STEP UP IN H2 FINANCIAL PERFORMANCE.

Revenue declined within Respiratory Protection this year following a record prior year supported by the initial deployment of masks into Europe under the NSPA framework contract, in addition to support for Ukraine. This has been partially offset by revenue growth within Head Protection with the commencement of shipments against the NG IHPS contract, which resulted in total revenue for the Group declining by 7.5% to $243.8 million (2022: $263.5 million). Margins in both businesses improved year on year, but a shift in revenue from the higher margin Respiratory Protection to lower margin Head Protection led to margin erosion at a group level, resulting in adjusted operating profit margin at 8.7% (2022: 8.9%). Following the completion of our contractual obligations, the Armour business has moved into discontinued operations, and we have restated the 2022 financials to compare on a like-for-like basis.

| | 30 September 2023 | 1 October 2022 | Change | Organic change (constant currency)[4] |
|---|---|---|---|---|
| **Continuing operations[1]** | | | | |
| Orders received | **$258.7m** | $267.9m | (3.4)% | (2.9)% |
| Closing order book | **$135.8m** | $120.9m | 12.3% | 10.9% |
| Revenue | **$243.8m** | $263.5m | (7.5)% | (7.5)% |
| Adjusted[2] EBITDA | **$35.7m** | $38.8m | (8.0)% | (13.6)% |
| Adjusted[2] EBITDA margin | **14.6%** | 14.7% | (10bps) | (110bps) |
| Adjusted[2] operating profit | **$21.2m** | $23.4m | (9.1)% | (18.5)% |
| Adjusted[2] operating profit margin | **8.7%** | 8.9% | (20bps) | (120bps) |
| Adjusted[2] net finance costs | **$(7.2)m** | $(3.7)m | 94.6% | 100.0% |
| Adjusted[2] profit before tax | **$14.0m** | $19.7m | (28.9)% | (37.5)% |
| Adjusted[2] taxation | **$(1.9)m** | $(3.1)m | | |
| Adjusted[2] profit/(loss) after tax | **$12.1m** | $16.6m | | |
| Adjusted[2] basic earnings per share | **40.3c** | 54.7c | (26.3)% | (35.2)% |
| Total dividend per share | **29.6c** | 44.9c | (31.4)% | |
| Net debt excluding lease liabilities | **$64.5m** | $44.2m | 45.9% | |
| Cash conversion | **7.0%** | 151.3% | | |
| Return on invested capital[2] | **8.7%** | 9.0% | | |
| | | | | |
| **Statutory results** | | | | |
| *Operating (loss)/profit from continuing operations[3]* | ***$(12.6)m*** | *$11.0m* | | |
| Net finance costs | **$(7.6)m** | $(5.0)m | | |
| (Loss)/profit before tax from continuing operations | **$(20.2)m** | $6.0m | | |
| Taxation | **$3.8m** | $(0.3)m | | |
| (Loss)/profit after tax from continuing operations | **$(16.4)m** | $5.7m | | |
| Profit/(loss) from discontinued operations[1] | **$2.0m** | $(13.3)m | | |
| Loss for the period | **$(14.4)m** | $(7.6)m | | |
| Basic loss per share | **(48.0)c** | (25.1)c | | |
| Net debt | **$85.4m** | $68.0m | | |

1 At 30 September 2023 Armour operations have fully closed. Armour has therefore been classified as a discontinued operation, including restatement of prior period comparatives.

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

3 Reported operating loss includes $6.3 million amortisation of acquired intangibles, restructuring costs of $1.4 million, impairment of non-current assets and goodwill of $24.5 million and transition costs of $1.5 million. See Adjusted Performance Measures section for full breakdown of adjustments and comparatives.

4 Constant currency measures are provided in the Adjusted Performance Measures section.

**Respiratory Protection**
**Revenue by market**

**$156.9m**
(FY2022: $193.0m)

**Head Protection**
**Revenue by market**

**$86.9m**
(FY2022: $70.5m)

U.S DOD    Commercial Americas    U.K. & International

Order intake for the Group of $258.7 million (2022: $267.9 million) was down 3.4% (2.9% constant currency). Head Protection orders grew strongly with $38 million of orders for NG IHPS, and $14 million of orders against the ACH GEN II contract received in the year. Respiratory orders were down in the year, with weak demand from the U.S. DOD as expected.

The closing order book of $135.8 million reflects an increase of 12.3% (10.9% constant currency) over the prior year, with an increase of 64.5% (64.5% constant currency) in the Head Protection order book more than offsetting a decrease of 40.4% (42.0% constant currency) within Respiratory Protection. Notably the Head Protection order book consists of $59 million of orders for NG IHPS and over $20 million for ACH GEN II, both fully covering expected sales for these products in the next financial year.

Revenue for the Group totalled $243.8 million, a decline of 7.5% (7.5% constant currency) compared to a prior year of $263.5 million.

Respiratory Protection revenue totalled $156.9 million, a decline of 18.7% (18.7% constant currency) compared to $193.0 million in 2022, with the largest decrease within the U.K. & International market as a result of the large sales into Europe last year under the NSPA framework contract. Respiratory Protection sales into the U.S DOD grew modestly, albeit with a significant mix shift away from mask systems to aftermarket products as sales of M53A1 and M69 masks in the prior year were replaced with sales of filters and other spares and accessories. Notably, we delivered over $17 million of M61 filters into the U.S. DOD which represented 24 months' worth of demand, and although we expect to receive similar orders in the future, there will be a significant decline of U.S DOD filters revenue in 2024 as a consequence. Commercial Americas revenue dropped significantly; however, this was driven by one-off deliveries in the prior year in support of Ukraine.

Head Protection revenue totalled $86.9 million, an increase of 23.3% (23.3% constant currency) over the prior year of $70.5 million. U.S. DOD revenue grew by 19.7% with strong sales of EXFIL ballistic helmets and a successful ramp-up of the NG IHPS programme. Commercial Americas revenue grew modestly at 7.1% with encouraging initial sales of the new EPIC commercial helmet range following a successful launch in the second half of the year. Lastly, we had a strong year for Head Protection in the U.K. & International market with revenue growth of 77.6%, driven by deliveries of EXFIL helmets into the Australian Defence Force.

Group adjusted EBITDA of $35.7 million (2022: $38.8 million) is down 8.0% (13.6% constancy currency) compared to the prior period. Lower revenue in high margin Respiratory Protection, high levels of scrap from production ramp-up of NG IHPS, and increased levels of expensed R&D were headwinds in the year, partially offset by favourable product mix within Respiratory Protection, reduced freight costs, and savings in central overheads. Adjusted EBITDA margin of 14.6% was down 10bps (down 110bps constant currency) on the prior year.

Adjusted operating profit of $21.2 million (2022: $23.4 million) is after adjusted depreciation, amortisation and impairment of $14.5 million (2022: $15.4 million), resulting in an adjusted operating profit margin of 8.7% (2022: 8.9%) down 20bps (down 120bps constant currency) on the prior year.

Statutory operating loss from continuing operations of $12.6 million (2022: profit of $11.0 million) reflected exceptional items in the period which are summarised below.

Impairments include a $23.4 million charge to goodwill (2022: $nil), arising as the new Head Protection cash-generating unit (CGU) was subject to impairment testing for the first time. Based on the Group's Board approved five-year financial plan, adjusted to exclude cash flows considered expansionary, the value in use of the Head Protection CGU was less than the carrying amount.

The Head Protection CGU includes all goodwill associated with the 2020 Ceradyne acquisition of $28.0 million and 2021 Team Wendy acquisition of $58.3 million. In 2021, goodwill related to the Ceradyne acquisition was allocated in full to the sole Respiratory and Head protection operating segment, and as such was unaffected by the 2021 armour-related impairments. In 2022, the decision to present Armour as a separate operating segment was taken, with nil goodwill value allocated to the Armour segment. This was based on a relative value approach, which attributed no value to Armour given trading losses forecast to closure. Further details of the impairment are included in note 3.1.

The Adjusted Performance Measures section contains a full breakdown and explanation of adjustments.

| | 2023 $m | 2022 $m |
|---|---|---|
| Statutory operating (loss)/profit | (12.6) | 11.0 |
| Amortisation of acquired intangibles | 6.3 | 6.8 |
| Impairment of goodwill and other non-current assets | 24.6 | 4.0 |
| Restructuring costs | 1.4 | 1.6 |
| Transaction costs | 1.5 | — |
| **Adjusted operating profit** | 21.2 | 23.4 |

Adjusted net finance costs increased to $7.2 million (2022: $3.7 million) due to higher net debt and variable interest charges.

After an adjusted tax charge of $1.9 million (2022: $3.1 million), the Group recorded an adjusted profit for the period after tax of $12.1 million (2022: $16.6 million).

Adjusted basic earnings per share fell to 40.3 cents (2022: 54.7 cents).

Return on invested capital, calculated on a rolling 12-month basis, fell to 8.7% (2022: 9.0%), reflecting lower adjusted operating profit.

Statutory net finance costs of $7.6 million (2022: $5.0 million) include $0.4 million (2022: $1.3 million) net interest expense on the U.K. defined benefit pension scheme liability.

**"RESPIRATORY PROTECTION EXPENDITURE HAS PRIMARILY FOCUSED ON COMPLETING THE DEVELOPMENT OF THE EXOSKIN LINE OF BOOTS AND GLOVES, WHILST HEAD PROTECTION EXPENDITURE CONTINUED TO CENTRE AROUND NG IHPS AND ACH GEN II HELMET DEVELOPMENT.**

Statutory loss before tax from continuing operations was $20.2 million (2022: profit of $6.0 million) and, after a tax credit of $3.8 million (2022: charge of $0.3 million), the loss for the period from continuing operations was $16.4 million (2022: profit of $5.7 million).

## Segmental Performance

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Respiratory Protection $m | Head Protection $m | Total $m | Respiratory Protection $m | Head Protection $m | Total $m |
| Revenue | 156.9 | 86.9 | 243.8 | 193.0 | 70.5 | 263.5 |
| Adjusted EBITDA | 36.6 | (0.9) | 35.7 | 42.4 | (3.6) | 38.8 |
| Adjusted EBITDA margin | 23.3% | (1.0)% | 14.6% | 22.0% | (5.1)% | 14.7% |
| Adjusted operating profit | 29.3 | (8.1) | 21.2 | 33.5 | (10.1) | 23.4 |
| Adjusted operating profit margin | 18.7% | (9.3)% | 8.7% | 17.4% | (14.3)% | 8.9% |

Adjusted operating profit margin within the Respiratory Protection business improved despite the fall in revenue, growing from 17.4% in FY22 to 18.7% in FY23. This was due to a product mix shift away from lower margin sales on the NSPA framework in the prior period, and repricing on a couple of key products. Beyond these mix effects, rapid action to right size the cost base was taken in light of the weaker demand environment.

The Head Protection business has continued to make a loss as we work through the production ramp-up for the NG IHPS and ACH GEN II programmes, although we have seen reduced losses with the operational gearing tailwinds from the increased revenue, resulting in an adjusted operating profit margin of (9.3%), up from (14.3%) in FY22. We continue to believe that the transformational initiatives within the STAR strategy will bring this business to acceptable levels of profitability.

## Research and development expenditure

Total investment in research and development (capitalised and expensed) was $10.2 million (2022: $10.9 million), in line with the prior period as a percentage of revenue. Excluding amortisation and impairment, we have seen an increase in costs expensed to the P&L following lower levels of capitalisation.

| Continuing operations | 2023 $m | 2022 $m |
|---|---|---|
| Total expenditure | 10.2 | 10.9 |
| Less customer funded | (1.2) | (1.4) |
| Group expenditure | 9.0 | 9.5 |
| Capitalised | (3.1) | (5.8) |
| Income statement impact | 5.9 | 3.7 |
| Amortisation and impairment of development expenditure | 4.3 | 6.5 |
| Total income statement impact | 10.2 | 10.2 |
| Revenue | 243.8 | 263.5 |
| R&D spend as a % of revenue | 4.2% | 4.1% |

Respiratory Protection expenditure has primarily focused on completing the development of the EXOSKIN line of boots and gloves, whilst Head Protection expenditure continued to centre around NG IHPS and ACH GEN II helmet development.

In FY23 research and development costs have been reclassified as a separate line item below gross profit in the Consolidated Statement of Comprehensive Income, with comparatives restated accordingly.

## Net debt and cash flow

| | 2023 $m | 2022 $m |
|---|---|---|
| **Adjusted continuing EBITDA** | 35.7 | 38.8 |
| Share-based payments and defined benefit pension scheme costs | 1.7 | 1.8 |
| Working capital | (34.9) | 18.1 |
| **Cash flows from continuing operations before exceptional items** | 2.5 | 58.7 |
| Restructuring and transaction costs paid | (2.3) | (1.0) |
| **Cash flows from continuing operations** | 0.2 | 57.7 |
| **Cash flows from discontinued operations** | 3.2 | (24.2) |
| **Cash flows from operations** | 3.4 | 33.5 |
| Payments to pension plan | — | (8.5) |
| Net finance costs | (6.6) | (3.4) |
| Net repayment of leases | (3.0) | (3.2) |
| Tax received | 3.7 | 3.7 |
| Capital expenditure | (11.0) | (8.9) |
| Discontinued operation disposals, investing and financing cash flows | 6.6 | (4.4) |
| Purchase of own shares – share buyback | — | (12.4) |
| Dividends to shareholders | (13.4) | (13.4) |
| Foreign exchange on cash | — | (0.4) |
| **Change in net debt, excluding lease liabilities** | (20.3) | (17.4) |
| **Opening net debt, excluding lease liabilities** | (44.2) | (26.8) |
| **Closing net debt, excluding lease liabilities** | (64.5) | (44.2) |

Cash flows from continuing operations before exceptional items were $2.5 million (2022: $58.7 million) with the movement principally due to working capital outflows of $34.9 million, compared to inflows of $18.1 million in the prior year. Working capital outflows were driven by a $26.2 million increase in receivables due to sales phasing (2022: $13.2 million reduction in receivables).

Dividends and purchase of own shares were $13.4 million (2022: $25.8 million), with the change reflecting the buyback programme in the prior year, which has now been formally cancelled.

Tax was an inflow of $3.7 million (2022: inflow of $3.7 million), due to historical amounts owed being settled in the period.

Net debt was $85.4 million (2022: net debt $68.0 million), which includes lease liabilities of $20.9 million (2022: $23.8 million). Excluding lease liabilities, net debt was $64.5 million (2022: net debt $44.2 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 11 years. The net pension liability for the scheme amounted to $40.2 million as at 30 September 2023 (2022: $6.3 million). The increase is mainly due to adverse actuarial experience adjustments.

There were no contributions in respect of scheme expenses and deficit recovery plan payments in the period as these were fully prepaid for FY23 in the previous year. In accordance with the deficit recovery plan agreed following the 31 March 2022 actuarial valuation, the Group will make payments in FY24 of £6.95 million, FY25 of £4.30 million and FY26 of £4.70 million in respect of deficit recovery and scheme expenses.

### Foreign exchange and interest rate risk management

The Group is exposed to translational foreign exchange risk arising when the results of sterling denominated companies are consolidated into the Group presentational currency, U.S. dollars. Group policy is not to hedge translational foreign exchange risk. Due to the translational effect, a 1 cent increase in the value of the U.S. dollar against sterling would have decreased revenue by approximately $0.2 million and increased operating profit by approximately $0.2 million for FY23.

RCF borrowings are floating rate priced using the U.S. Secured Overnight Financing Rate (SOFR). In 2022 the Group implemented a hedging policy using interest rate swaps to fix a portion of SOFR floating rate interest. The notional value of active interest rate swaps at 30 September 2023 was $30.0 million (2022: $30.0 million), expiring on 8 September 2025. The Group also has additional interest rate swaps in place with a notional value of $20.0 million starting on 8 September 2025 and expiring on 8 September 2026 (2022: $nil). The financial value of interest rate swaps at 30 September 2023 was $0.9 million (2022: $0.5 million), an asset position as hedged fixed rates are lower than current market forecasts for SOFR.

### Dividends

In line with the revised capital allocation policy, the Board has proposed a final dividend of 15.3 cents per share (2022: 30.6 cents). The final dividend will be paid in pounds sterling on 8 March 2024 to shareholders on the register at 9 February 2024. The final dividend will be converted into pounds sterling for payment at the prevailing exchange rate which will be announced prior to payment.

We expect the H1 2024 dividend to be similarly rebased, resulting in the customary one-third to two-thirds distribution for the full year next year.

**Rich Cashin**
Chief Financial Officer

21 November 2023

**STRATEGY IN ACTION**

# REVOLUTIONISING TOGETHER

## PARTNERING FOR INNOVATION

Revolutionise focuses on a longer-term horizon and we have continued to work hand in hand with our customers on research and development programmes, ensuring our products align perfectly with their unique requirements.

In Respiratory Protection, we began funded initiatives on pioneering the next generation of filters and diving masks, expanding our underwater portfolio. In Head Protection, we stand at the forefront of traumatic brain injury mitigation, harnessing funding to continue our vital research in this critical area.

> **“BY ACTIVELY ENGAGING WITH OUR CUSTOMERS, WE NOT ONLY DESIGN PRODUCTS THAT MEET THEIR IMMEDIATE NEEDS BUT ALSO PIONEER TECHNOLOGIES THAT SHAPE THE FUTURE, DRIVING THE INDUSTRY FORWARD THROUGH INNOVATIVE, CUSTOMER-FOCUSED SOLUTIONS.**

Ron Szalkowski, VP Engineering, Head Protection

# HOW WE IDENTIFY AND MANAGE RISK

Assessing risk is an essential element of the management of our organisation, and risk management is embedded within the business units and functional teams.

### Our Group risk management framework

The Board has overall responsibility for the Group's risk management framework and ensuring the risk management process is robust and continuously improved. 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. This year the Board also set its overall risk appetite considering the balance between risk and reward. The Board has delegated the responsibility for certain risk management activities to the Audit Committee.

The Audit Committee supports the Board by monitoring the effectiveness of the Group's risk management and internal control systems four times each year.

The Risk Committee, which is not a Committee of the Board, is the owner of the Group's risk management process, acting as an interface between the Audit Committee, business units and functional teams. The Risk Committee facilitates the risk reviews conducted by the business units and other teams and reviews and challenges the results where necessary. Through this process the Audit Committee identifies the principal and emerging risks at a Group level.

### Our approach

Business unit leadership is responsible for implementing the Group's risk management process at an operational level. It oversees the identification, assessment and reporting of risks in a risk register and is responsible for identifying and implementing activities to mitigate risk and the integration of these into strategy where appropriate.

Each risk in the risk register is assessed using likelihood and impact. Scoring takes account of the mitigations in place and represents a net risk position. Supporting narrative includes any emerging risks. The risk registers are updated and then reviewed by the Risk Committee every six months.

The measurement of likelihood and impact uses bespoke impact assessment measures based on both financial and non-financial impacts which are set relative to the size of the business unit.

| | | | |
|---|---|---|---|
| Likelihood | High (>60%) | Impact (revenue, EBITDA, cost, employee impact, reputational impact) | High |
| | Medium (40–60%) | | Medium |
| | Low to medium (20–40%) | | Low to medium |
| | Low (<20%) | | Low |

The Risk Committee reports the outcome of the six-monthly risk reviews at a Group level to the Audit Committee twice a year. Updates on risk mitigation actions are provided quarterly and all risks contained in the risk registers are reviewed annually to ensure they remain current.

### Assurance

We apply the 'three lines of defence' model to managing risk where the first line is management control and is represented by business unit and functional leadership, which owns and manages risk on a day-to-day basis within the Group's internal control framework.

The Risk Committee, alongside the Executive Committee, monitors and oversees these activities as a governance and compliance function. This internal assurance is our second line of defence.

The third line is independent assurance, which has been supported by Deloitte during the period. We have recruited an Internal Audit Manager to fulfil this role in FY24.

### Annual review of internal controls and risk management

We have made the following enhancements to our risk management process:

- Risk registers have been aligned to reflect the new organisation structure of two Strategic Business Units
- The Group's principal risks were specifically considered as part of the strategy process which established our STAR strategy and each of the strategic priorities contains a risk assessment which is updated quarterly.
- An Internal Audit Manager was recruited to provide assurance to the Executive Committee and Audit Committee, replacing Deloitte.
- Risk appetite was reviewed and agreed at Board level for the Group.
- The Audit Committee reviewed the climate risk register and the Board reviewed the TCFD disclosures.
- Outputs from the business unit risk registers and STAR strategy process were used to identify material climate-related risks and opportunities.

Commentary on the review of the Group's system of internal control is contained in the Audit Committee Report on page 84

## Principal risks

Principal risks are those that would threaten the Group's business model or future performance and have been identified based on likelihood of occurrence and the potential impact on the Group.

The principal risk chart below summarises the Group's principal risks for 2023 going into 2024 by likelihood and impact. The chart has been populated by reference to the year end risk assessment. The following pages show each risk and the mitigations in place and contain a commentary on how the risk has played out during the period. Overall risk appetite is also shown.

## Emerging risks

Emerging risks, which are classed as risks which could impact beyond the next review point, are noted during each risk review and presented to the Audit Committee.

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

- Bid and contract risk resulting from the growing focus on international markets, which inherently have lower visibility and higher competition and demands greater resources from our bidding and compliance teams.
- Resourcing of international sales efforts and the likelihood of success for Head Protection in international territories as a new market entrant in many regions.
- Competition on new mask and helmet programmes.
- Compliance and reputational risk around the current net zero plan which does not currently extend to the stated net zero deadline.

## Risk appetite

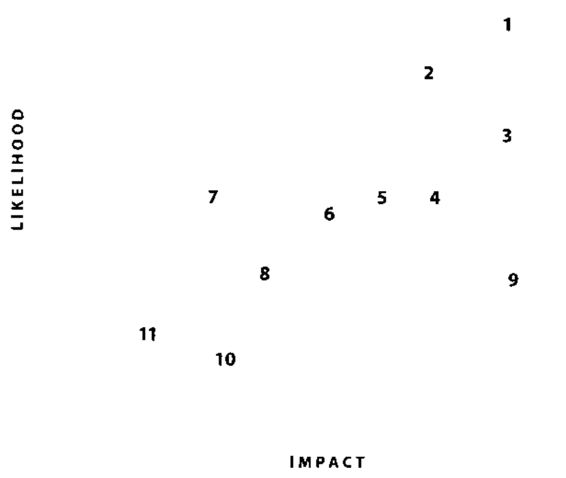
**Low** – we are cautious and often accept as little risk as possible; risk response actions are taken even though prevention costs are greater than expected incident costs.

**Medium** – we take a balanced approach to risk taking; risk response actions are made based on cost effectiveness, management priorities and potential outcome.

**High** – we are willing to take greater than normal risks; response actions are taken only when a strong case can be made for the cost effectiveness of potential outcomes.

## 2023 PRINCIPAL RISKS

1. Bid and contract risk
2. Strategy execution risk
3. Manufacturing risk
4. Recruiting and retaining talent
5. Financial controls and reporting
6. Delivery of new product programmes
7. Geopolitical risk
8. Security and cyber risk
9. Compliance and internal control
10. Sustainability
11. Defence sector concentration/cycle risk



### Links

| Trend | Strategy | | Sustainability |
|---|---|---|---|
| → No change | S | Strengthen | Our planet |
| ↑ Increasing | T | Transform | Our supply chain |
| ↓ Decreasing | A | Advance | Our customers |
| | R | *Revolutionise* | *Our colleagues and communities* |

## 1 Bid and contract risk
**Risk appetite: Medium**

**Trend** ↑

**Strategy** T A R

**Sustainability**

### Business risk
- Sales targets not delivered
- Loss of major bids/tenders
- Competitors increase market share at Avon Protection's expense

### Impact on
- Sales and profitability
- Strategy delivery

### Mitigation
- Product portfolio and certifications meet customer requirements
- Market and channel strategies agreed and in place
- Capable and professional sales team, correctly remunerated and engaged
- Competitive pricing
- Robust bid approval process and well resourced bid programme teams
- *Intimate customer relationships with regular* contact and programmes of record/multi-year commitments agreed where possible
- Competitor monitoring and counter-competitor strategies

### Comment and outlook
Sales are reliant on delivering the order pipeline which contains competitor and timing risk. Management of internal and supply chain costs is required to keep pricing competitive and support strong margins. A switch of focus to the international market to mitigate reduced U.S. DOD volumes, and in support of rebreather tenders, has increased the volume of bids and put pressure on the bid teams, creating risk of pricing error or lost bids. Competitor activity can slow the progress of government procurements. We expect both the U.K. GSR programme and future IHPS opportunities to be competitively bid, which could lead to lower revenue and/or margins.

## 2 Strategy execution risk
**Risk appetite: Medium**

**Trend** →

**Strategy** S T A R

**Sustainability**

### Business risk
- Strategy execution risk
- Execution of transformation programmes

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

### Mitigation
- Strategy model and approach defined, agreed and communicated
- Strategic projects clearly identified, agreed and resourced for delivery
- Effective programme management team, tools and reporting to ensure projects are delivered on time and benefits are realised

### Comment and outlook
This risk relates to our ability to deliver the transformation programmes defined under the STAR strategy in 2023 across both business units and the central functions. Significant progress was made in 2023 in defining and planning these programmes and some benefits have already been delivered. Both business units are targeting improved manufacturing and footprint efficiency alongside the introduction of new products into manufacture (ACH GEN II, boots and gloves and rebreathers). Within the central functions the focus is setting cost at an appropriate level and improving reporting based on the revised organisational structure.

## 3 Manufacturing risk
**Risk appetite: Low**

**Trend** →

**Strategy** S T

**Sustainability**

### Business risk
- Supply chain shocks impact our ability to source key materials and the cost of manufacturing (due to sole source dependency, pricing, availability, quality or efficiency)
- Poor quality and late delivery
- Environmental or health and safety incident results in employee injury, plant closure and prosecution/fines
- Inventory locks up working capital

### Impact on
- Sales, costs and profitability

### Mitigation
- Supply chain strategy targets improvements
- Robust supplier audit and relationship management, with alternative sources identified
- Robust manufacturing/quality processes and effective Enterprise resource planning (ERP) systems
- Strong site leadership and engaged and motivated production workforce
- Insurance and effective business continuity planning in place
- Prioritisation of workforce health and safety

### Comment and outlook
During the period we introduced NG IHPS into full production at Irvine but have yet to deliver targeted cost saving opportunities on this product, particularly scrap reduction and productivity improvement. The other major helmet programme, ACH GEN II, is yet to move into full rate production At Cleveland we successfully insourced ballistic shell production

Supply chain improvement targets are starting to be set, with particular focus on the rebreather supply chain, which contains some long lead time risk (which drives purchasing commitments before customer orders are received).

We have hired a President of Operational Excellence and Continuous Improvement to lead the implementation of a continuous improvement culture across our factories, which is ultimately expected to improve risk mitigation in many areas. Improvement activities have already occurred as a result of multiple kaizens.

## 4 Recruiting and retaining talent
**Risk appetite: Medium**

**Trend** →

**Strategy** T

**Sustainability**

### Business risk
- Inability to recruit and retain employees

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

### Mitigation
- Robust succession planning and effective performance management processes
- Effective training and development strategy and activities
- Appropriate organisational structure with clear lines of authority and communication
- Maintaining a positive and supportive Avon Protection culture, supported by values, employee engagement activity and initiatives
- Retention through competitive remuneration and benefits structure and outcomes

### Comment and outlook
Across both business units continuing inflation and economic uncertainty have maintained focus on remuneration and benefits to ensure we remain competitive. During the period we have approved enhanced pay increases designed to ensure employee pay remains broadly in line with inflation, and have completed a pay and bonus benchmarking project. Employee engagement has been high on the agenda as usual, whether through our annual employee opinion survey and follow up actions, the consultation on our new employee values or direct engagement from the new leadership team. We also undertook a series of engagement activities in connection with the creation and launch of the new STAR strategy. Two new HR Directors have been recruited to support the business units and STAR contains an HR 'Winning Team' strategy which addresses this risk area with additional mitigation.

**Links**

| Trend | Strategy | | Sustainability |
|---|---|---|---|
| → No change | S | Strengthen | Our planet |
| ↑ Increasing | T | Transform | Our supply chain |
| ↓ Decreasing | A | Advance | Our customers |
| | R | Revolutionise | Our colleagues and communities |

## 5 Financial controls and reporting
**Risk appetite: Low**

**Trend:** →

**Strategy:** S T A R

**Sustainability**

### Business risk
- Poor quality financial reporting and business information
- Insufficient overhead controls
- Tax exposure not mitigated
- DB pension funding requirement restrictions
- Currency fluctuations reduce the value of receipts or increase costs
- Insufficient debt capacity

### Impact on
- Costs and profitability
- Reputational damage

### Mitigation
- Robust internal financial control and reporting procedures (monthly reporting, business reviews, strategy/budgeting process) supported by robust internal audit function
- Appropriate overhead structure
- Bank facilities committed and of sufficient duration with alternative providers scoped and ready to step in.
- Bank covenant compliance and reporting
- Tax strategy in place with advisor support
- Long-term pension strategy in place with deficit recovery plan agreed and reviewed every three years through triennial valuations, with professional advice
- Effective currency hedging strategy

### Comment and outlook
Manufacturing systems data (e.g. bills of materials, scrap, labour efficiency) can be delayed or incomplete which has affected the quality of financial reporting in 2023 and increases the risk of bid pricing error. During the period we have launched a number of projects to improve our internal financial controls. We introduced a new delegated authorities matrix to reflect the new organisation structure and empower the business units and have projects running to introduce a new internal control manual and new bid and capex approval processes. We have also recruited an Internal Audit Manager who is expected to improve the accountability and effectiveness of our internal control framework.

## 6 Delivery of new product programmes
**Risk appetite: Medium**

**Trend:** →

**Strategy:** T A R

**Sustainability**

### Business risk
- Failure to identify and implement new products

### Impact on
- Strategy delivery
- Sales and profitability
- Reputation

### Mitigation
- Future product/technology road mapping and funding strategy in place
- Effective new product introduction process which delivers new products into production at factories
- Sustaining engineering resource at factories sufficient to support new product introductions
- Intellectual property protection considered and implemented where necessary
- Sufficient level of interaction with major customers and regulatory bodies to anticipate future product requirements

### Comment and outlook
Limited investment in respiratory product development in recent years has resulted in a restricted pipeline of new products and currently no new respirator to generate renewed customer interest or demand. This is corrected under STAR with the rapid progress on the assault respirator and a number of new funded product/technology development programmes. Respiratory focus in 2024 is on CBRN boots and gloves and the newly NFPA-certified ST54. In Head Protection improved programme leadership has strengthened our ability to get the new products into full production and U.S. DOD funding for traumatic brain injury research has been extended.

## 7 Geopolitical risk
**Risk appetite: Medium**

**Trend** →

**Strategy** T

**Sustainability**

### Business risk
- Geopolitical factors result in an unfavourable business climate for defence spending or restrict access to national markets
- U.S. DOD budgets/funding withdrawn
- Conflict triggers surge in demand that cannot be met by production capacity

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

### Mitigation
- Close monitoring of the political environment and federal funding and budget position
- Lobbyist/government advisors and key influencers aligned to Avon Protection's interests
- Diversified global customer base
- Multi-year military contracts in place (programmes of record)
- Manufacturing surge capacity plan in place

### Comment and outlook
We maintain a close watch on the political landscape in our key markets, particularly the U.S. The U.S. government shutdowns do carry timing risk around order processing, lot testing and our ability to ship, but having programmes of record provide a significant degree of business protection generally. For example the order pipeline for U.S. DOD helmets is confirmed for next year. With the currently soft U.S. DOD respiratory demand, the strategy to diversify the customer base internationally is already mitigating the risk of a U.S. Government shutdown. Conflict and the changing threat environment can also create the risk of a surge in demand which cannot be met by the current production capacity, resulting in lost sales.

## 8 Security and cyber
**Risk appetite: Low to medium**

**Trend** →

**Strategy** S

**Sustainability**

### Business risk
- Business interruption/cash cost of cybercrime and fraud
- Compliance with U.S. DOD and U.K. MOD security requirements
- IT system continuity event

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

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

### Comment and outlook
Strong and effective management of our security and IT systems is necessary to prevent the compromise of secure information, intellectual property and data relating to our personnel and customers.

During the period we conducted an independent assessment on our information security control architecture and cybersecurity business continuity plan as part of considering whether to purchase cyberinsurance.

We launched mandatory cybersecurity training campaigns in support of CMMC 2.0 compliance and we remain on track to be compliant with CMMC 2.0 requirements when they become mandatory.

We have completed the transfer of the Cleveland site onto the Avon Protection IT systems.

**Links**

| Trend | Strategy | | Sustainability |
|---|---|---|---|
| → No change | S | Strengthen | Our planet |
| ↑ Increasing | T | Transform | Our supply chain |
| ↓ Decreasing | A | Advance | Our customers |
| | R | Revolutionise | Our colleagues and communities |

## 9 Compliance and internal control
**Risk appetite: Low**

**Trend:** →
**Strategy:** S
**Sustainability:**

### Business risk
- Failure to comply with export controls
- Bribery and corruption risk
- Breach of contract/law leads to investigation, prosecution, litigation or fines
- Defence contract compliance
- Failure to comply with the requirements of the Special Security Agreement

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

### Mitigation
- Effective export control policy supported by training
- Effective anti-bribery and corruption policy supported by training
- Embedded and effective Code of Conduct
- Effective internal legal and internal control/ audit function
- Effective government contract specialist knowledge
- Clear policies defining and understanding of working practices between Avon and the security cleared entity Avon Protection Ceradyne

### Comment and outlook
Working within the defence sector requires us to maintain strong compliance controls.

We have launched mandatory annual Code of Conduct training to all employees. A project is underway to reduce the risk that a partner pays a bribe to secure business for Avon. This will include enhancements to the current diligence process, a review of our partner remuneration policy and a thorough review of our partner network, with the introduction of additional checks and assurance.

Deloitte continued its FY23 internal audit work programme. We have strengthened our day-to-day oversight of internal controls through the recruitment of an Internal Audit Manager to fulfil this role in FY24.

## 10 Sustainability
**Risk appetite: Medium**

**Trend:** →
**Strategy:** T
**Sustainability:**

### Business risk
- Cost and delay in implementing net zero plan and progressing the sustainability agenda
- Customer requirements shift to more sustainable products that we do not offer

### Impact on
- Reputational damage
- Sales, cost and profitability

### Mitigation
- Maintain strong relationships with customers, supply chain and technology partners
- Sufficient focus on sustainability at all levels of the business and within key processes
- Sustainability plan and targets agreed
- Sufficiently resourced operations to complete necessary projects

### Comment and outlook
We have set a sustainability strategy which is designed to complement and be delivered through our STAR strategy by being aligned to certain key priorities, e.g. operational excellence and site optimisation. So as we fund the delivery STAR, we can be confident we are also delivering our sustainability agenda.

As explained in the sustainability report, during the period we established cross-functional net zero teams at each of the sites to identify opportunities to reduce energy usage and emissions. These teams will be critical in supporting the business to review and deliver our net zero plan at each site.

Purchase of renewable and low emission electricity has been reviewed and implemented at our factories where practicable.

## 11 Defence sector concentration/cycle risk
**Risk appetite: Medium**

**Trend** →

**Strategy** A R

**Sustainability**

### Business risk

- U.S. DOD customer concentration risk
- Government defence spending cyclical fluctuation

### Impact on

- Sales and profitability

### Mitigation

- Strong U.S. DOD/customer relationships and insight
- Understand future capability requirements and investment in technology to deliver the products the customer requires
- Maintain diversification via other markets e.g the U.S. first responder market and geographies
- Strategy targets diversification of global military customer base

### Comment and outlook

Our primary market is the defence sector which is subject to defence spending cycle risk. Military budgets remain strong in the current heightened threat environment and the military order book for helmets is confirmed for 2024, with some risk mitigation achieved from the diversification of the customer base within the U.S. DOD. The Respiratory Protection business is already mitigating its risk in this area through expanding its product and market focus away from the U.S. DOD due to the current slow demand. That business has also further mitigated its concentration risk by launching a new e-commerce business selling 50 series respirators to a new customer base, the US civilian market.

# GOVERNANCE

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**"WE HAVE MAINTAINED HIGH LEVELS OF ENERGY THROUGH THE CONTINUED EXECUTION OF OUR STAR STRATEGY AND WE HAVE MADE SIGNIFICANT PROGRESS IN EACH OF THE KEY AREAS, WHICH IS A TESTAMENT TO THE DEDICATION AND INNOVATION OF OUR TEAM.**

# A STRONG TEAM

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

### Dear Shareholder

I am pleased to present our Corporate Governance Report. This report describes our governance structures and procedures, and summarises the work of the Board and its Committees and how the Board evaluated its effectiveness in 2023. As a Board we recognise the fundamental importance of ensuring robust governance practices are implemented and followed in order to promote the long-term sustainable success of the Company, generate value for shareholders and contribute to wider society.

### Stakeholder engagement

The Board recognises its obligation to ensure effective engagement with its stakeholders, to understand their different perspectives and to ensure their interests are considered in Board discussions and decision making. While we understand the importance of balancing all stakeholder views, this year we have sought to increase the mechanisms under which we engage with and receive feedback from our employees, including additional in-person townhall meetings and site visits. Details of stakeholder engagement activities during the period are outlined on pages 36 to 39.

### Purpose and culture

We are an organisation made up of over 900 people, in five main locations around the U.K. and North America. Our people come from a wide variety of backgrounds and work on a diverse range of products in a number of different markets. The thing we all have in common – the golden thread that binds us together – is our shared purpose: Protecting Lives.This underpins everything we do, including our culture and values. The Board understands the importance of its role in setting the right tone from the top and embedding it throughout the Group. In addition to the Board, the Executive Committee has responsibility to ensure the policies and behaviours set at Board level are effectively communicated and implemented throughout the Group.

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

### Board and Committee evaluation

During the period we completed an evaluation of the Board and its Committees. The 2023 evaluation was internally facilitated using questionnaires, led by the Company Secretary and me. It concluded that the Board, its Committees, the individual Directors and the Chair performed effectively during 2023, both individually and as a collective unit. The significant improvement in this year's strategy process was commented on by several Board members and although it was noted that the risk management process had improved, it was felt there was further work to do. There was agreement that the Board had improved following the appointment of the new CEO, that the Board had a strong sense of collective responsibility and the individual roles were working effectively together. In addition the introduction of the new simplified organisation structure was a clear improvement which had provided increased clarity on performance drivers. Further details can be found on page 78.

### Sustainability

Given its significance, the Board has retained responsibility for the development and oversight of our sustainability agenda directly, rather than establishing a specific Board-level committee. During the period the Board has approved our sustainability targets for the next five-years. At the management level, Rich Cashin, our CFO, is the Executive Director with responsibility for overseeing our sustainability agenda across the business and chairs our Sustainability Steering Committee. This Committee reports to the Board on progress. Further details on the remit of the Sustainability Steering Committee can be found on page 51.

"

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

### Annual General Meeting

The 2024 AGM of Avon Protection plc will be held at Hampton Park West, Semington Road, Melksham, Wiltshire SN12 6NB, at 10.30 am on Friday 26 January 2024. Further details, including the resolutions to be proposed to our shareholders, can be found in the Notice of Meeting on pages 174 to 178. The result of the votes on the resolutions put forward at the AGM will be publicly announced to the stock exchange and published on our website as soon as possible following the conclusion of the meeting. I will be in attendance at the AGM and will be very happy to take any questions you may have regarding the operation of the Board during the period. We look forward to seeing you there.

**Bruce Thompson**
Chair

21 November 2023

### Compliance with the U.K. Corporate Governance Code

The Company reports against the Financial Reporting Council's (FRC's) U.K. Corporate Governance Code 2018 ('the Code'), which is available at www.frc.org.uk. The Board has applied all principles and complied with all provisions in the Code for the year ended 30 September 2023, with the exception of Provision 9, that the role of Chair and CEO should not be exercised by the same person. For a limited period Bruce Thompson was appointed as Executive Chair. As explained on page 76, we were in full compliance with this provision following the appointment of Jos Sclater as CEO on 16 January 2023. Further details on how the Company applied the principles of the Code during the period can be found as follows:

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# A BOARD WITH EXPERIENCE

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

### Bruce Thompson
Chair

**First appointed:**
March 2020
**Appointed Chair:**
December 2020

**Skills and experience:**
Bruce joined the Board in March 2020. During his executive career, Bruce was CEO 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 also an Independent Non-Executive Chair of discoverIE Group plc.

**Committee membership:**

### Jos Sclater
Chief Executive Officer

**First appointed:**
January 2023

**Skills and experience:**
Prior to joining Avon Protection, Jos spent three years as Group CFO at Ultra Electronics plc, utilising his skills and experience from his time as Group CFO at Castrol Lubricants. Jos has also spent seven years at GKN plc in various roles including Group CFO and Director of Corporate Finance & Strategy. Jos started his career as a qualified solicitor and held in-house legal and M&A roles at ICI plc, AkzoNobel N.V. and GKN plc.

### Rich Cashin
Chief Financial Officer

**First appointed:**
April 2022

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

### Chloe Ponsonby
Non-Executive Director
Senior Independent Director

**First appointed:**
March 2016

**Skills and experience:**
Chloe has spent her career in financial services, first in equity fund management at Jupiter, and then in investment banking at Altium and Oriel Securities (now owned by Stifel). Chloe also held the role of Managing Director in investment banking at Panmure Gordon and is currently a Managing Director within the corporate broking unit at HSBC. She is a Chartered Financial Analyst and has a first class Economics degree from the University of Manchester.

**Committee membership:**

**Board gender diversity (%)**

2
Female
Male
4

**Independence (%)**

Executive (including CFO)
2
Non-Executive (excluding Chair)
3

### Bindi Foyle
Non-Executive Director

**First appointed:**
May 2020

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

**Committee membership:**

### Victor Chavez CBE
Non-Executive Director

**First appointed:**
December 2020

**Skills and experience:**
Victor has over 30 years of experience in the defence and security sectors. His early career focused on telecommunications and software before joining Thales U.K. in 1999. He was appointed Chief Executive in 201', 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 20'5 and a Chevalier of the Légion d'Honneur in 2020.

**Committee membership:**

### Miles Ingrey-Counter
General Counsel and Company Secretary

**First appointed:**
October 2007

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

### Board membership key
Audit Committee
Nomination Committee
Remuneration Committee
Chair
Independent Director

# 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 2023, with the exception of the following:

- Provision 9, which states that the roles of Chair and CEO should not be exercised by the same individual. Paul McDonald stepped down from the Board as CEO on 30 September 2022. For an interim period from 1 October 2022 until Jos Sclater joined the Board as CEO on 16 January 2023, the Chair was appointed as Executive Chair.

## Board leadership
The Board comprises two Executive Directors and four Non-Executive Directors (including the Chair, Bruce Thompson). Chloe Ponsonby has announced her intention to step down from the Board next year following an increase in her executive responsibilities. Details about the recruitment process for her replacement are disclosed on page 81. The Board regularly reviews its composition to ensure it has the necessary breadth and depth of skills to support the development of the Group. We believe the Board continues to have a strong mix of experienced individuals who provide a unique perspective on Company matters and bring specific skills to the Board.

Biographical details for each member of the Board can be found on pages 74 and 75 of this Annual Report. All Directors will stand for re-appointment by shareholders at the 2024 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 these are embedded throughout the business.

## 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 46, the Board has sought to maintain a good level of engagement with the workforce. The Board considers the most effective way of achieving this engagement is via a Global Employee Advisory Forum, which was established in 2021.

## Division of responsibilities
For an interim period from 1 October 2022 until Jos Sclater joined the Board as CEO on 16 January 2023, the Chair took on the role of Executive Chair. For the remainder of the financial year there was a clear division of responsibility between the running of the Board by the Chair and the running of the Group's business by the CEO.

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

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

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

## How the Board operates
The Chair ensures, through the Company Secretary, that the Board agenda and all relevant information are provided sufficiently in advance of meetings and that adequate time is available for discussion of all agenda items, in particular strategic issues. The CEO 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 budgeted project spend of over $5 million or any capex or R&D expenditure which exceeds budget by more than 10%;
- The approval of bid/sales proposals where the estimated total contract value exceeds $10 million or a duration of five years for high risk proposals (or $20 million for low risk proposals);
- The approval of any agency commission which exceeds 10% on a customer contract; and
- consideration and approval of all proposed acquisitions and mergers.

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

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

## Committees of the Board

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

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

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

Chloe Ponsonby is Chair of the Remuneration Committee. The Remuneration Committee's principal responsibilities are to decide on remuneration policy on behalf of the Board and to determine remuneration packages and other terms and conditions of employment, including appropriate performance-related benefits for the Executive Directors and other senior executives. The Remuneration Committee also has regard to the remuneration of the wider workforce. More details of the activities of the Remuneration Committee are set out in the Remuneration Report on pages 86 to 107.

## 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 period are detailed on page 80 and 81

## Attendance at meetings

All Committee and Board meetings held in the year were quorate. Directors' attendance during the period ended 30 September 2023 was as follows:

| | Board (6 scheduled, 1 ad hoc) | Audit Committee (3 scheduled) | Remuneration Committee (4 scheduled, 1 ad hoc) | Nomination Committee (2 scheduled) |
|---|---|---|---|---|
| Bruce Thompson[1] | 7(7) | – | 4(4) | 2(2) |
| Bindi Foyle | 7(7) | 3(3) | 5(5) | 2(2) |
| Chloe Ponsonby | 7(7) | 3(3) | 5(5) | 2(2) |
| Victor Chavez | 7(7) | 3(3) | 5(5) | 2(2) |
| Jos Sclater | 6(6) | – | – | – |
| Rich Cashin | 7(7) | – | – | – |

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

1 Bruce Thompson temporarily stepped down from the Remuneration Committee while appointed as Executive Chair from 1 October 2022 to 16 January 2023

2 Jos Sclater was appointed to the Board on 16 January 2023

## Performance evaluation

The Board continually strives to improve its effectiveness and conducts an annual review of its performance and that of its Committees and the individual Directors to enhance overall Board effectiveness. Given the recent changes to the Board, including the appointment of Jos Sclater as CEO on 16 January 2023 and prior to this the appointment of Rich Cashin as CFO on 31 March 2022, it was agreed that the 2023 Board evaluation process would be conducted internally using questionnaires and interviews led by the Company Secretary. Consideration will be given to the 2024 evaluation being externally facilitated.

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

A detailed discussion of the findings from the performance evaluation took place at the October 2023 Board meeting. Overall, the evaluation concluded that the Board, its Committees, the individual Directors and the Chair performed effectively during 2023, both individually and as a collective unit. The significant improvement in this year's strategy process was commented on by several Board members and although it was noted that the risk management process had improved, it was felt there was further work to do. It was felt that the Board had improved following the appointment of the new CEO and there was a strong sense of collective responsibility within the Board, with the individual roles working effectively together. In addition, the introduction of the new simplified organisation structure was a clear improvement which had provided increased clarity on performance drivers.

The following areas were identified by the Board as areas of focus for 2024 and beyond:

- Ensuring continued visibility of and engagement with the US sites and workforce through a US Board trip, to be arranged to include Chloe Ponsonby's successor when identified
- A deeper understanding of the relationship with the US DOD, particularly on the Respiratory protection side of the business
- A deeper dive into important elements of the strategy including the transformation programmes and key opportunities and technology developments

## 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 2023 financial year.

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

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

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

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

## Risk management

Risk is managed by the business unit and functional leadership teams, supported and overseen by the Risk Committee, which is led by the Company Secretary and includes other members of the finance team. The risk management process has remained the same during the period but the number and structure of the risk registers was changed to reflect the new organisational structure. The outputs from the risk management process are set out in more detail in the Principal Risks and Risk Management section on pages 62 to 69.

The Audit Committee carried out quarterly reviews of the key risks facing the Group and risk management activities undertaken during the period, 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 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, reviewed annually, 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. All employees complete training on the Code of Conduct to ensure they have read and understood it.

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

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

## Relations with shareholders

The Directors regard regular communications with shareholders as extremely important. All members of the Board receive copies of analysts' reports, of which the Company is made aware, and receive an investor relations report from the CFO 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 period. The AGM includes a presentation by the CEO 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. This year we have consulted with our major shareholders on a revised Remuneration Policy.

## 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 then ballistic protection business and permits APC to perform classified U.S. defence contracts. There are a number of specific protocols that the Company and APC are required to comply with under the SSA, including the appointment to the APC Board of two independent outside U.S. Directors approved by the U.S. Government. The SSA imposes certain restrictions on the degree of influence the Company can exert over APC and it is therefore important that the Company maintains a strong relationship with the APC Board, in order to ensure that we are fulfilling our own governance obligations. A member of our Executive Committee is an inside Director on the APC Board. We anticipate continued engagement with APC and the outside Directors in the coming year under the governance of the SSA to support synergy opportunities across APC's product portfolio for the benefit of our Head Protection business.

## Disclosure and Transparency Rules (DTR)

Disclosures in respect of the DTR requirements under DTR 7.2.6 are given in the Directors' Report on pages 108 to 110 and have been included by reference.

## Going concern

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

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

As part of their assessment, the Directors considered a base case and a severe downside scenario involving a 21% decline in bank-determined adjusted EBITDA against the base case. The base case is the Group's 2024 budget. The severe downside scenario incorporates the cumulative risk-adjusted impact of individual risks identified to the Group's 2024 budget, whilst excluding all individual opportunities. The severe downside scenario also excludes mitigating actions the Directors could take to reduce future cash outflows or expenses. The risks align with the Group's principal risks and uncertainties and relate primarily to possible loss of bids and contracts or lower anticipated volumes of secured work.

Even in the 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 loan covenants, throughout the forecast period. The Group has committed RCF facilities of $142 million covering the 12-month going concern period, maturing on 8 September 2025. Additional committed RCF facilities of $58 million are also available until 8 September 2024. At 30 September 2023 $77.7 million of the RCF facility was drawn (2022: $53.7 million).

RCF loan covenants measured on a bi-annual basis include a maximum limit of 3.0 times for the ratio of net debt, excluding lease liabilities, to bank-determined adjusted EBITDA (leverage), and a minimum limit of 4.0 times for the ratio of bank-determined adjusted EBITDA to interest payable on bank loans and overdrafts. At 30 September 2023 leverage was 1.94 times (2022: 1.99 times). Bank-determined adjusted EBITDA is calculated on a pre-IFRS 16 leases basis, and excludes certain non-cash items.

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

## Viability statement

The Directors have assessed the viability of the Group over a five-year period to September 2028, taking account of the Group's current position 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 2028.

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. As set out in the TCFD section the potential financial impact of climate change for the next five years has been assessed as low, with no material impact on viability expected.

In making their assessment, the Directors have taken account of the Group's RCF facility which provides financing until September 2025. The Directors have a reasonable expectation that broadly similar financing could be obtained at the end of the current RCF facility, supporting continuing operations. During the period the Group has complied with all covenant requirements attached to its financing facilities.

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

# LETTER FROM THE CHAIR

**Bruce Thompson**
Chair of the Nomination Committee

### Attendance at Nomination Committee meetings

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

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

The Nomination Committee comprises all the Non-Executive Directors.

### Main responsibilities

The main responsibilities of the Committee are as follows:

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

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

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

### Diversity

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

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

During 2023 we have supported a number of Balance@Avon initiatives, including International Women's Day and a Group-wide 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 Executive Committee and its direct reports.

Further information, including the number of women in senior management and within the organisation, is shown in the Sustainability Report on page 47.

### Activities during 2023

During the period, the Committee:

- considered and confirmed the appointment of Jos Sclater as CFO, following the departure of Paul McDonald on 30 September 2022;
- commenced the search for a new Non-Executive Director to replace Chloe Ponsonby who announced her intention to step down from the Board next year following an increase in her executive responsibilities;
- reviewed the composition of the Board and its succession plan;
- carried out an annual review of the Committee's terms of reference;
- recommended re-election of the Board at the forthcoming Annual General Meeting; and
- discussed the Board performance evaluation results with the Board as a whole.

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**THE COMMITTEE 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.**

## Board changes

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

Jos Sclater joined the Group as CEO on 16 January 2023. The process followed for Jos' appointment was disclosed in last year's report. Jos' biography, together with those of all Board Directors, is included on pages 74 and 75.

Chloe Ponsonby has confirmed her intention to step down from the Board next year following an increase in her executive responsibilities. The recruitment process to find Chloe's replacement is being led by me as Chair of the Committee. Independent executive search consultants Korn Ferry have been retained and provided with a detailed description of the role and associated skills and experience required. Korn Ferry will compile a longlist of potential candidates based on initial interviews, from which a shortlist of candidates will be selected by the Committee for interview.

The Committee has previously decided 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 confirms the appointment of each Non-Executive and Executive Director should be renewed for a further year. Accordingly, resolutions to re-appoint each Director for another year 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 period.

Renewing the longer-term succession planning of the Executive Committee and business unit leadership teams will be a priority for the coming year now the organisational structure changes have been completed.

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

## Committee evaluation

The evaluation of the effectiveness of the Committee was conducted as part of this year's Board performance evaluation. The outcome of the 2023 Committee review was positive and highlighted the need for the Committee to ensure it reviews broaded succession plans for the Executive Committee and senior leadership roles in 2024. Further detail on the result of the Board evaluation exercise is included on page 78 of the Corporate Governance Report.

**Bruce Thompson**
Chair of the Nomination Committee

21 November 2023

# LETTER FROM THE CHAIR

**Bindi Foyle**
Chair of the Audit Committee

## Attendance at Audit Committee meetings

During the period, the Audit Committee held three scheduled meetings. Attendance of the members of the Committee is recorded in the table below:

| Scheduled meetings | Attended | Eligible to attend |
|---|---|---|
| Bindi Foyle | 3 | 3 |
| Chloe Ponsonby | 3 | 3 |
| Victor Chavez | 3 | 3 |

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

During 2023, 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 has established a set programme of activities, with agenda items scheduled to coincide with the annual financial reporting calendar. The Committee reports regularly to the Board on its work.

During the 2023 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 continues to verify that recommendations and agreed actions are 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 2023 the Audit Committee undertook a full evaluation exercise of KPMG's audit approach, to ensure the effectiveness of the external audit function. Reviewing the results of the evaluation of the external audit process, we are satisfied with both the auditor's independence and audit approach.

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

## Main responsibilities of the Audit Committee

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

The key objectives of the Audit Committee are:

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

## Composition of the Audit Committee

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

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

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

### 2023 Annual Report

The main areas of focus considered by the Committee during 2023 were as follows:

- The presentation of the financial statements and the quality and acceptability of accounting policies and practices including the presentation of adjusted performance measures and the adjusting items. The Committee reviewed papers prepared by management, challenged management's judgements and estimates, and reviewed the disclosure of adjusted items within the Group's half year and full year results, agreeing that the position taken in the financial statements is appropriate.
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements. Material areas in which significant judgements have been applied are discussed separately in more detail below.
- At the request of the Board, the Committee considered whether the 2023 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Company's position and performance, business model and strategy. Having taken account of the other information provided to the Board throughout the year, the Committee was satisfied that, taken as a whole, the Annual Report and Accounts was fair, balanced and understandable.

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

### Significant judgements and estimates considered by the Audit Committee

After discussions with management and the external auditor, the Committee determined that the key risks of material misstatement of the Group's 2023 financial statements arose in the following areas:

- valuation of goodwill allocated to Head Protection;
- development costs capitalisation and valuation;
- estimation of the defined benefit pension obligation; and
- the cessation of the Armour business satisfying the requirements for reporting as a discontinued operation.

### Goodwill impairment

The Group has a significant goodwill balance as a result of legacy acquisitions, predominantly in relation to Ceradyne and Team Wendy. Following the change in operating segments, the Committee confirmed management's assessment that specific impairment reviews for Head Protection and Respiratory Protection CGUs were required, covering goodwill and other attributable net assets. In the prior year, goodwill was allocated to the single operating segment, Respiratory and Head Protection.

Impairment review of the Head Protection CGU indicated the carrying value of goodwill and other attributable net assets exceeded future value in use. The value in use calculation was based on the Board approved five-year plan and utilised discounted cash flow projections, adjusted to exclude expansionary capital expenditure and linked cash flows.

The Committee considered and challenged the assumptions applied by management, including consideration of scenario analysis and sensitivities, concluding that the proposed impairment was reasonable and appropriate.

Further analysis and detail on goodwill is set out in note 3.1 of the financial statements.

### *Development costs capitalisation and impairment*

The Group capitalises development costs and other capital spend relating to new products.

Expenditure in respect of product development is capitalised where management judge a positive outcome is reasonably certain, taking account of commercial viability and technical feasibility, including regulatory approvals required and forecast customer demand.

Capitalised development costs are tested for impairment annually or whenever there is an indication that the asset may be impaired. Any impairment is recognised immediately in the Consolidated Statement of Comprehensive Income.

The key issues reviewed in the financial year included the valuation of assets in relation to the categories of escape hoods and boots and gloves. The Committee concurred with management that a proposed impairment relating to escape hoods and remaining carrying values on other product groupings as included in the 30 September 2023 balance sheet were appropriate.

Further analysis and detail on the Group's development costs are set out in note 3.1 of the financial statements.

## Estimation of the defined benefit pension assets and obligations

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

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

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

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

Further analysis and detail on the Group's defined benefit pension scheme are set out in note 6.2 of the financial statements.

## External auditor

The Audit Committee considers the appointment of the external auditor each year. KPMG LLP (KPMG) was appointed as the Group's external auditor for the 2019 audit following a tender process in 2018. 2023 is KPMG's fifth year as the Group's external auditor and Andrew Campbell-Orde has acted as audit partner since KPMG's appointment. In line with practice, 2023 is the final year that Andrew Campbell-Orde will act as audit partner. The Committee interviewed a number of prospective partners to assume responsibilities for 2024.

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

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

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

## Review of the effectiveness of the external auditor

The Committee evaluates the effectiveness of the external auditor annually. This evaluation includes a review of the effectiveness of the external audit process, consideration of whether management had been adequately challenged, interaction with the Committee and quality of the audit work. The 2022 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. The Group reviewed and discussed the overall structure of the audit team to ensure consistency and appropriate resourcing in future audits. This report was reviewed at the Committee's meeting in March 2023. Overall feedback was positive and where opportunities for improvement were identified in respect of earlier discussion with management regarding developments and changes during the period, KPMG was asked to take account of that feedback in the planning for future audit activity. KPMG and management also worked together to more clearly define the information required from management during the audit to aid increased audit efficiency. This review concluded that the audit was conducted to a good standard with appropriate focus and challenge on the key audit risks.

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

## Audit fees and auditor re-appointment

During 2023, the Committee reviewed and approved the proposed audit fees and terms of engagement for the 2023 audit and recommended to the Board that it proposes to shareholders that KPMG be re-appointed as the Group's external auditor for 2024 at the AGM to be held on 26 January 2024.

## Auditor independence

To ensure the independence and objectivity of the external auditor and avoid a situation where the auditor's familiarity with the Group's affairs results in excessive trust, the Committee maintains a formal Auditor Independence Policy. The policy follows the ethical guidance on auditor independence issued by the FRC in December 2019 and was reviewed during the period 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 period; this included consideration of the remuneration received by KPMG for audit services, audit-related services and non-audit work.

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

## Internal control

The Committee regularly reviews the effectiveness of the Group's system of internal controls and risk management. The Committee regularly reviews the effectiveness of the Group's system of internal controls and risk management. This involves monitoring and reviewing the effectiveness of internal audit activities, which includes a review of the audits carried out and the recommendations arising. It also reviews management's responses, actions to address recommendations, approving the internal audit programme and resourcing for 2024.

The internal audit programme for 2023 comprised of risk-based audits undertaken by Deloitte. Deloitte reports directly to the Audit Committee, which considered and approved the scope of the 2023 internal audit programme to be undertaken. During the period, Deloitte focused its internal audit work on a review of the planning for new ERP implementation (following prior year ERP reviews), an advisory audit on Group HR policies around personnel management and a review of the investment process for intangible and tangible spend.

The 2024 internal audit programme will incorporate changes to resourcing, with the appointment of an Internal Audit Manager, which is expected to improve accountability and effectiveness.

Several improvements were identified in respect of developing and enhancing the Group's risk management processes, further documentation around internal controls, increased consistency to support investment decisions and the design of globally consistent HR processes.

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

As part of its work, and in line with its terms of reference, the Committee also considers the discharge of the Board's responsibilities in the areas of corporate governance, financial reporting and internal control, including the internal management of risk, as identified in the Code and the FRC Guidance on Risk Management, Internal Control and Related Financial Business Reporting. In 2023, the Group continued to strengthen its risk management procedures and these have been reviewed by the Committee. Risk management activities are dealt with in more detail in the Principal Risks and Risk Management section on pages 62 to 69 and the Corporate Governance Report on page 78.

## Audit Committee effectiveness review

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

Bindi Foyle

***Bindi Foyle***
Chair of the Audit Committee

21 November 2023

# LETTER FROM THE CHAIR

**Chloe Ponsonby**
Chair of the Remuneration Committee

## Attendance at Remuneration Committee meetings

During the period, the Remuneration Committee held five scheduled meetings. Attendance of the members of the Committee is recorded in the table below

| Scheduled meetings | Attended | Eligible to attend |
|---|---|---|
| Chloe Ponsonby | 5 | 5 |
| Bruce Thompson | 4 | 4 |
| Bindi Foyle | 5 | 5 |
| Victor Chavez | 5 | 5 |

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the 52 weeks ended 30 September 2023. This includes the following three sections:

- this Annual Statement which summarises the work of the Remuneration Committee ('the Committee') in 2023 and sets out the context in which pay decisions were made;
- the revised Directors' Remuneration Policy ('the Policy') which will set the parameters within which our Directors will be remunerated going forward and which will take effect from the date of our 2024 AGM, subject to shareholder approval; and
- the Annual Report on Remuneration which provides: (i) details of the remuneration earned by Directors and the link between Company performance and pay in FY23; and (ii) how we intend to implement the new Policy in FY24.

The Annual Statement and the Annual Report on Remuneration will, together, be subject to the usual advisory shareholder vote at the AGM on 26 January 2024. The revised Policy will be subject to a separate binding shareholder vote at the same meeting. A separate resolution to amend the Long-Term Incentive Plan to accommodate the ability to make awards in the first year of the revised three-year Policy will also be put to shareholders for approval.

## Policy review

Our current Policy was approved by shareholders at the 2021 AGM. The Policy is now reaching the end of its three-year life and the Committee is seeking approval of a revised Policy. This is timely, as it has provided the Committee with an opportunity to look afresh and in depth at the remuneration arrangements in light of a number of recent developments at Avon Protection – not least the recruitment of a new management team and the recent adoption of the new five-year STAR strategy – and to respond to the latest remuneration-related governance changes and investor guidance.

As part of this process, during 2023 we undertook a comprehensive review of senior executive pay arrangements, including a consultation exercise with our major shareholders. We were pleased to have spoken to directly or to have received responses from shareholders covering over 45% of shares in issue at the time of consulting, as well as from ISS, and I would like to thank all respondents for their constructive comments which have helped shape the proposed Policy being put forward for approval.

## Business context

On 16 January 2023 Jos Sclater became CEO of Avon Protection. Jos has brought with him a wealth of experience in leadership roles, an impressive track record of value creation within global manufacturing businesses and deep experience in the international defence industry. Jos' appointment was preceded by the appointment of Rich Cashin as CFO in March 2022.

Under Jos' leadership, and closely supported by Rich, the management team has undertaken a comprehensive review of the business and developed the STAR strategy which has been designed to improve financial performance over the next five-year period through growing revenues, margin expansion and improved return on invested capital whilst enhancing our ESG priorities, namely protecting more lives, and reducing scrap waste and carbon emissions. Full details of the STAR strategy can be found in the Strategic Report on page 22.

After a difficult period under previous management, and as we begin to put the new strategy into effect, the signs of recovery are already clear. However, achieving the strategic goals and translating these into the targeted improvement in financial performance will require superior execution. This is what we are aiming to stimulate and reward.

## Proposed changes to the Policy

The Committee undertook a comprehensive review of the pay arrangements implemented three years ago and concluded the current structure – comprising an annual bonus scheme and awards of performance shares under our LTIP – continues to remain appropriate for Avon Protection. However, at this critical juncture, to incentivise our new management team to continue to build on the foundations of implementing the new strategic direction, it is proposed that a one-off matching arrangement replaces the LTIP grant in the first year of our three-year Policy only.

"

**WE HAVE UNDERTAKEN A COMPREHENSIVE REVIEW OF OUR POLICY WHICH INCLUDED A WIDE-REACHING SHAREHOLDER CONSULTATION EXERCISE. THIS EXERCISE WAS A CRITICAL INPUT INTO OUR REVIEW PROCESS AND HELPED SHAPE OUR FINAL PROPOSALS.**

This will require our Executive Directors to purchase ordinary shares with their own funds up to the value of 100% of their base salary ('Investment Shares') and in return they will receive a matching award to the value of up to four times the value of shares purchased ('Matching Shares'). The purchase of Investment Shares will ensure the interests of the Executive Directors are immediately aligned with shareholders, with their own capital at risk. This contrasts with traditional Long-Term Incentive Plan (LTIP) schemes which do not require personal investment. The Matching Shares will vest subject to continued employment, the retention of Investment Shares over the performance period and achievement of ambitious performance targets measured over the three-year period ending 30 September 2026. Two-thirds of the awards will be eligible to vest after three years and the remaining one-third after four years. Holding periods will also apply to ensure Executives cannot realise any benefit from their vested awards until the fifth anniversary of grant.

During consultation, some investors requested that a cap on the total number of matching awards apply in order to prevent too significant a number of awards being granted if the share price at the intended grant date (February 2024) is low (noting that the number of awards is a function of the matched investment value and the share price at the time of grant). The Committee took this feedback on board and has agreed that the total number of matching awards in aggregate for the CEO and CFO will be capped at 450,000 shares. This may result in a maximum match that is lower than 4:1 but, in any event, the maximum will not be higher than this level. In effect, if the award price at the date of grant is below c.£8.22, the 450,000 award cap will take effect and the maximum match will reduce. Separately, the Board is considering how best to hedge vested awards to reduce the dilutive impact over the next three years.

Vesting of the awards will be dependent on two measures, independently assessed – 70% on adjusted basic earnings per share (EPS) and 30% on return on invested capital (ROIC):

| | FY26 EPS (70%) | FY26 ROIC (30%) | Match |
|---|---|---|---|
| **Threshold** | 90c | 16% | 0.5:1 (i.e. 12.5% vesting) |
| **Target** | 125c | 18% | 1.75:1 (i.e. 43.75% vesting) |
| **Maximum** | 150c | 20% | 4:1 (i.e. 100% vesting) |

Achieving the EPS and ROIC targets will require a significant recovery in earnings, optimisation of our capital base and performance well in excess of current market expectations (2026 EPS consensus is c. 72c). The targets are considered to be particularly stretching and are designed to ensure that participants will only receive the full benefit if they deliver transformational results. For information, delivering the target of 125c EPS and 18% ROIC would result in vesting equivalent to the current 175% of salary LTIP award. Shareholders felt that the target and upper stretch levels were very demanding in light of consensus and broader expectations.

The Board believes successful implementation of our STAR strategy will deliver significant financial benefits to the Group over the next four years and in turn will create substantial shareholder value and the Committee is keen to see the incentive arrangements closely linked to the strategy. The personal and significant investment by our Executive Directors inherent in the proposed one-off matching arrangement demonstrates their commitment to the successful implementation of the strategy; the ambitious earnings and ROIC targets are designed to deliver substantial value creation and a swift turnaround; and the interaction of the phased vesting and holding periods will ensure Executives are locked in over the longer term. In addition, as well as covering the CEO and CFO, other arrangements will be implemented for other senior executives at Avon Protection to ensure they are motivated and retained at a time when their existing LTIP awards have little or no value. Retaining the senior team both at the Board level and below the Board is critical to the delivery of our new strategy. For these reasons, the Committee believes that this arrangement is appropriate and in the best interests of the Group and its shareholders.

The current LTIP rules will be amended to facilitate the proposed one-off matching arrangement. Following the grant of the matching award in the first year of the three-year Policy period, for the second and third years, annual LTIP awards will be granted up to the normal Policy maximum of 175% of salary.

The Committee has also considered whether any other elements of the Policy require changing to reflect corporate governance developments since it was last approved but is comfortable that these have been previously addressed. A two-year holding period applies to LTIP awards, pension is aligned with the workforce contribution rate (7.5% of salary), a post-cessation holding period applies and malus and clawback provisions are aligned with market practice (and will reflect any changes required – if necessary – when the new U.K. Corporate Governance Code is finalised). Further details of how we intend to implement the new Policy in FY24 are set out later in this letter.

## Remuneration outcomes for FY23

The annual bonus for FY23 was dependent on a scorecard of measures which included adjusted operating profit (40%), operating cash flow (20%), revenue (20%) and the delivery of strategic objectives (20%).

Jos Sclater joined the Company shortly after the financial annual bonus targets were set. Upon joining and as mentioned earlier, Jos embarked upon a comprehensive review of the business and developed and implemented a new strategy and change of direction. The original financial targets were largely unachievable and this has resulted in no payout against the revenue, profit and cash objectives. The Committee could have amended the targets to align better with the new strategy but decided against this. Therefore, in practice, the maximum bonus opportunity was limited to the strategic objectives which accounted for 20% of the maximum bonus. Following strong individual performance and the accomplishment of important short term non-financial drivers, the Committee has determined that the full 20% out of the 20% on strategic objectives should be payable. The Committee recognises the sensitivities around paying a bonus based solely on non-financial performance but on this occasion believes it is warranted given the new CEO and targets that were made on an old strategy and set of assumptions.

## Remuneration outcomes for FY23 continued

Vesting of the Long-Term Incentive Plan awards made on 2 February 2021 was based on two measures – relative TSR and EPS growth – over the three-year performance period. The Group did not meet the threshold targets and therefore the awards lapsed in full. Neither Jos Sclater nor Rich Cashin held awards under this cycle of the LTIP.

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

## Board changes

As set out in the prior year's report, Jos Sclater joined the Board as CEO with effect from 16 January 2023. Jos' base salary on joining was set at £526,594 p.a. along with bonus opportunity of 125% of base salary (pro-rated for time served in FY23). He also received an LTIP grant of 175% of salary on 18 January 2023, shortly after joining. Jos did not forfeit any remuneration upon joining the Company and therefore there was no need to make buyout awards.

During the period between the previous CEO, Paul McDonald, stepping off the Board on 30 September 2022 and Jos Sclater joining in January 2023, Bruce Thompson took on the role of Executive Chair. Bruce agreed with the Remuneration Committee that he would not receive any additional fees for acting as Executive Chair and continued to receive his Non-Executive Chair fee only over this period. Bruce reverted to his position as Non-Executive Chair of the Board following Jos Sclater's joining. During the period of Bruce's appointment as Executive Chair, he temporarily stepped down as a member of the Remuneration Committee, but continued to be invited to Committee meetings.

## How the Policy will be applied in FY24

The Committee will seek to implement the revised Policy as follows:

### Base salaries

Jos Sclater's salary will increase by 4.5% from £526,594 to £550,291 and Rich Cashin's salary will increase by 4.5% from £358,750 to £374,894. These increases are in line with the average general workforce increase of 4.5% for FY24. As a reminder, last year the CFO's salary was increased by 2.5% which compared to a general workforce increase ranging from 5% o 8%.

### Annual bonus

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 absolute Group operating profit (50%), average working capital turns (30%) and strategic objectives (20%). The targets are commercially sensitive but will be disclosed in full on a retrospective basis in next year's report.

### Long-Term Incentive Plan (LTIP)

Subject to the approval of the revised Policy, the Committee intends to grant awards after the AGM in February 2024 under the one-off share matching arrangement to both Executive Directors. Details of how this arrangement will operate in practice, including the performance measures and targets, are set out earlier in this letter.

## Views of our stakeholders

As mentioned, we have sought to undertake a comprehensive review of our Policy to include a wide-reaching shareholder consultation exercise. This exercise was a critical input into our review process and helped shape our final proposals. We understand the reticence of some investors, in principle, to the use of one-off incentive arrangements but we are convinced that the proposed share matching arrangement, under which awards will be made in 2024 only, is the right approach for Avon Protection for the reasons set out earlier in this letter. However, we were pleased that the majority of those shareholders we consulted with were broadly supportive of the new Policy and the one-off share matching arrangement (subject to the addition of safeguards, such as the overall cap on the number of shares which may be awarded, which we built in) and we were comforted by this support. I would like to take this opportunity to reiterate my thanks to all shareholders and proxy voting agencies that participated in this process and for the constructive feedback that has contributed to the design of the new Policy.

The Committee also takes employees' views on pay into account and this is achieved through a Global Employee Advisory Forum. This year discussions have included the organisational restructure and increased empowerment, together with the outcome from the remuneration review, which was aimed at ensuring our pay practices are fair and competitive. The annual bonus scheme was also included in this review.

I would once again like to thank shareholders for their input in shaping over proposed policy and I hope we will receive your support for the resolutions relating to remuneration at the forthcoming AGM. 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.

Chloë Ponsonby

**Chloe Ponsonby**
Chair of the Remuneration Committee

21 November 2023

## REMUNERATION AT A GLANCE

The key elements of Executive Directors' remuneration packages and our approach to implementation in 2024 are summarised below:

| | | Remuneration 2023 | Remuneration 2024 |
|---|---|---|---|
| **FIXED PAY** | **Salary (annual base)** | CEO: £526,594 (upon joining in January 2023)<br>CFO: £358,750 | CEO: £550,291 (4.5% increase effective 1 October 2023)<br>CFO: £374,894 (4.5% increase effective 1 October 2023) |
| | **Pension** | A 7.5% of salary employer contribution rate applies. This is aligned with the U.K. workforce contribution rate | No change |
| | **Benefits** | Includes car allowance, private health insurance and life insurance | No change |
| **ANNUAL BONUS** | **Maximum opportunity** | 125% of salary<br>CEO's bonus pro-rated for period as a Director | No change |
| | **Award level and operation** | • Performance measures: revenue (20%), operating profit (40%), operating cash flow (20%) and strategic objectives (20%)<br>• 25% of the overall amount deferred into shares which vest after two years<br>• Malus and clawback provisions apply | • Performance measures: absolute Group operating profit (50%), average working capital turns (30%) and strategic objectives (20%)<br>• 25% of the overall amount deferred into shares which vest after two years<br>• Malus and clawback provisions apply |
| **LONG-TERM INCENTIVES** | **Award level** | ***Normal LTIP***<br>CEO: 175% of salary grant on appointment<br>CFO: 150% of salary | ***One-off share matching arrangement (FY24 only)***<br>• Up to 100% of salary investment matched at up to 4 times, i.e. up to 400% of salary<br>• Number of matching awards determined by matching the investment value and using the share price at grant<br>• Total awards to the CEO and CFO subject to an overall cap of 450,000 shares in aggregate (CEO: 267,656 shares, and CFO: 182,344 shares) |
| | **Operation** | • Performance measures: relative TSR (50% of award) and EPS with a ROCE underpin (50% of award)<br>• Performance measured over three years<br>• Two-year additional holding period applies to vested awards<br>• Malus and clawback provisions apply | • Performance measures: EPS (70% of award) and ROIC (30% of award)<br>• Performance measured over three years<br>• Vests in two tranches after three years (two-thirds of the award) and four years (one-third of the award)<br>• Vesting dependent upon retention of investment shares over the performance period<br>• Additional holding periods apply to vested awards such that no value can be realised until after five years from grant<br>• 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 |

# DIRECTORS' REMUNERATION POLICY

This section of the report sets out our Directors' Remuneration Policy which will be put forward for shareholder approval at the 2024 AGM on 26 January 2024. The Policy will take formal effect from the date of the AGM, subject to shareholder approval, replacing the one most recently approved by shareholders at the AGM on 29 January 2021.

## Guiding policy

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

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

## Considerations when determining Remuneration Policy

As described in the letter from the Remuneration Committee Chair, the Committee undertook a comprehensive review of the current Directors' Remuneration Policy during the course of 2023 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.

In reviewing the Policy during the course of 2023, and in planning for its implementation, the U.K. Corporate Governance Code has continued to be 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 have been proposed).
- **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. For the first year of the new Policy only, one-off awards will be made under a single matching arrangement to the Executive Directors in lieu of the usual LTIP awards. This is intended to be a simple long-term incentive arrangement with clear alignment to the new STAR strategy and to shareholder interests at its heart. The measures and targets are indelibly linked to our longer-term strategic goals and to incentivising superior financial performance. In the second and third years of the Policy we will return to our long-standing approach of making our usual LTIP awards only.
- **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 and non-financial 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. a significant proportion of our packages is based on long-term performance targets linked to the KPIs of the Company, our ability to use discretion to ensure appropriate outcomes and our openness to doing so 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.

## 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 any material 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 the 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 sought feedback from shareholders holding over 45% of shares in issue, as well as from the main shareholder representative bodies. The Committee was very grateful for the comments 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 Remuneration Committee Chair's letter on page 86.

## Consideration of employment conditions elsewhere in the Group

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

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

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

As for the Executive Directors, general practice across the Group is to recruit employees at competitive market levels of remuneration, incentives and benefits to attract and retain employees, accounting for national and regional talent pools. When considering salary increases for Directors, the Committee will take into account salary increases and pay and employment conditions across the wider workforce. The pension contribution for Executive Directors is consistent with that for the general workforce. 27% of employees are able to earn annual bonuses for delivering exceptional performance, with corporate performance measures aligned to those set for the Executive Directors. All employees, including the Executive Directors, have the opportunity to participate in the tax-approved share incentive plans.

There are some differences in the structure of the 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.

Further details of the role of the Committee and its decision-making processes can be found in the Annual Report on Remuneration on page 99.

## Changes to the Directors' Remuneration Policy

In summary, the only material change to the Policy relates to the introduction of a one-off long-term share matching arrangement for operation only in the first year of the three-year Policy. Under this arrangement the Executive Directors will be required to purchase shares with a value of up to 100% of salary and to hold them over the set performance period. Subject to maintaining this holding over the performance period these Investment Shares may be matched at up to a ratio of 4:1 (albeit subject to an overall cap under the arrangement of 450,000 shares in aggregate) dependent on the achievement of stretching performance targets and continued employment. The awards under this share matching arrangement will be made in the first year of the new Policy only (in lieu of the usual LTIP awards) after which it is intended that normal awards under the LTIP at up to 175% of salary per annum are made in years two and three. No further awards will be made under the share matching arrangement after the 2024 grant. Further details of this proposed change, along with the rationale, are set out in the Remuneration Committee Chair's letter on page 86.

# DIRECTORS' REMUNERATION POLICY CONTINUED

## Policy table

The table below sets out the main components of the proposed Directors' Remuneration Policy, together with further information on how these aspects of remuneration will operate, subject to approval by shareholders at the 2024 AGM. The existing Policy – approved by shareholders at the 2021 AGM on 29 January 2021 and set out in the 2020 Annual Report – will remain in effect until shareholders approve the new Policy. 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.<br><br>To attract and retain Executive Directors of superior calibre in order to deliver long-term business success<br><br>Reflects individual experience and role.<br><br>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.<br><br>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.<br><br>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.<br><br>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 the 'Operation' column of this table<br><br>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.<br><br>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, private health insurance and life assurance. Executive Directors will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms.<br><br>Any reasonable business-related expenses (and any tax thereon) can be reimbursed if determined to be a taxable benefit.<br><br>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.<br><br>For external and internal appointments or relocations, the Company may pay certain relocation and/or related incidental expenses as appropriate. | As it is not possible to calculate in advance the cost of all benefits, a maximum is not pre-determined<br><br>The maximum level of participation in all-employee share plans is subject to the limits imposed by the relevant tax authority from time to time | Not applicable. |

| Element of remuneration | Purpose and link to strategy | Operation | Maximum potential value | Performance targets |
|---|---|---|---|---|
| **Pension** | To reward sustained contributions by providing retirement benefits | The Company funds contributions to a Director's pension as appropriate through contribution to the Company's money purchase scheme or through the provision of salary supplements or a combination of these. | Company contribution up to the prevailing rate offered to the workforce in the country where they are based at the time (currently 7.5% of salary in the U.K.). | Not applicable |
| **Annual bonus** | Rewards the achievement of annual financial and business targets aligned with the Group's KPIs.<br><br>Maximum bonus only payable for achieving demanding targets.<br><br>Deferred element encourages long-term shareholdings and discourages excessive risk taking | Bonus is based on performance in the relevant financial period. Any payment is discretionary and will be subject to the achievement of stretching performance targets.<br><br>Bonus is normally paid in cash, except 25% of any bonus which is deferred into shares for two years.<br><br>Bonuses are not contractual and are not eligible for inclusion in the calculation of pension arrangements.<br><br>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.<br><br>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.<br><br>The majority of the bonus will normally be based on financial measures and the balance could be based on non-financial, strategic, personal and/or ESG related objectives.<br><br>A graduated scale of targets is normally set for each measure, with no pay-out for performance below a threshold level of performance.<br><br>The Committee has discretion to amend the pay-out should any formulaic outcome not reflect the Committee's assessment of overall business performance |

## DIRECTORS' REMUNERATION POLICY CONTINUED

**Policy table** continued

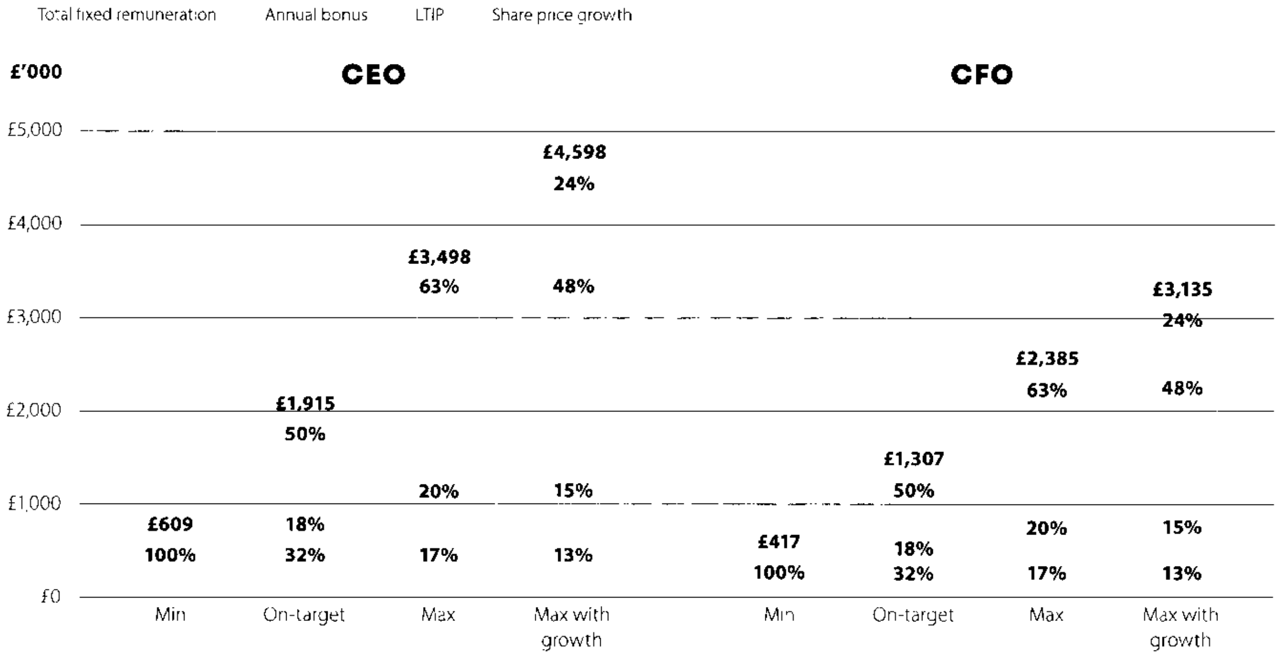
| Element of remuneration | Purpose and link to strategy | Operation | Maximum potential value | Performance targets |
|---|---|---|---|---|
| **Long-Term Incentive Plan** | Designed to align Executive Directors' interests with those of shareholders and to incentivise the delivery of sustainable earnings growth and superior shareholder returns. | Awards of conditional shares or nil cost option awards which normally vest after three years subject to the achievement of performance targets and continued service.<br><br>An additional two-year holding period applies after the end of the three-year vesting period.<br><br>Recovery and withholding provisions apply in cases of misconduct, corporate failure, reputational damage, error in calculation of award and material misstatement of financial results.<br><br>Dividend equivalents may be paid for awards to the extent they vest.<br><br>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.<br><br>The Committee will consider the prevailing share price when deciding on the number of shares to be awarded as part of any LTIP grant.<br><br>A 10% in ten years dilution limit governing the issue of new shares to satisfy all share schemes operated by the Company will apply | Performance measures may include, and are not limited to, relative TSR, ROIC, EPS, strategic measures and ESG-related objectives.<br><br>The Committee retains discretion to set alternative weightings or performance measures for awards over the life of the Policy.<br><br>100% of awards vest for stretch performance, up to 20% of an award would normally vest for threshold performance and no awards vest below this. Underpins may apply. |
| **One-off share matching arrangement under the Long-Term Incentive Plan in FY24** | Designed to be retentive over the longer term, to incentivise the new management team to deliver a turnaround and a significant improvement in financial performance, and to closely align Executive Directors' interests with those of shareholders. | To participate in the arrangement, the Executive Directors will be required to purchase ordinary shares with their own funds ('Investment Shares') and in return they will receive a matching award ('Matching Shares').<br><br>Awards of Matching Shares will be made as conditional shares or nil cost options which will normally vest in two tranches after three years (2/3 of the award) and four years (1/3 of the award) subject to retention of the Investment Shares over the performance period, achievement of performance targets and continued service.<br><br>Additional two-year and one-year holding periods apply after the end of the three-year and four-year vesting periods respectively.<br><br>Failure to retain the Investment Shares over the full performance period will normally result in a pro-rata reduction in Matching Shares under award.<br><br>Recovery and withholding provisions apply in cases of misconduct, corporate failure, reputational damage, error in calculation of award and material misstatement of financial results. | **Investment Shares**<br>Executive Directors may invest up to an overall maximum of 100% of annual salary.<br><br>**Matching Shares**<br>Executive Directors may receive an award equal to up to four times the value of Investment Shares purchased i.e. up to 400% of salary. The number of awards will be based on the share price at the time of grant<br><br>Awards to Executive Directors are subject to an overall cap of 450,000 shares in aggregate (CEO: 267,656 shares, and CFO: 182,344 shares).<br><br>No further awards under the Long-Term Incentive Plan may be made in addition to the Matching Shares in the same financial year.<br><br>A 10% in ten years dilution limit governing the issue of new shares to satisfy all share schemes operated by the Company will apply | Not applicable. |

| Element of remuneration | Purpose and link to strategy | Operation | Maximum potential value | Performance targets |
|---|---|---|---|---|
| **One-off share matching arrangement under the Long-Term Incentive Plan in FY24** continued | | Dividend equivalents may be paid for awards to the extent they vest.<br><br>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. | | |
| **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.<br><br>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).<br><br>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 adoption of the previous Policy (approved on 29 January 2021)). | 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.<br><br>The Chair is paid an all-inclusive fee for all Board responsibilities.<br><br>Fees for the other Non-Executive Directors may include a base fee and additional fees for further responsibilities (for example, for chairing Board Committees or for holding the office of Senior Independent Director).<br><br>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.<br><br>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.<br><br>Increases will be informed by taking into account internal benchmarks such as the salary increase for the general workforce and will have due regard to the factors set out in the 'Operation' column of this table. | Not applicable. |

# **DIRECTORS' REMUNERATION POLICY** CONTINUED

## Illustration of the application of the Policy

The balance between fixed and variable 'at risk' elements of remuneration changes with performance. Our policy results in a significant proportion of remuneration received by Executive Directors being dependent on performance. The charts below illustrate how the Policy would function for minimum, on target and maximum performance in the first year of the new Policy (FY24). Note that the long-term incentive element of remuneration will be lower in years two and three of the policy as the one-off matching award will be granted in the first year only and then will return to the normal 175% of salary limit.




## Assumptions for the chart above

- Minimum: comprises fixed pay for the year made up of base salary (applying from 1 October 2023), the value of pension at 7.5% of annual bass salary and the estimated value of benefits using FY23 values (annualised for the CEO).
- 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 share matching arrangement taken to be 43.75% of the face value of the award at grant, i.e. 175% of salary.
- Maximum: full bonus achieved and the share matching arrangement vesting in full, i.e. 125% of salary bonus pay-out and a share match to the value of 400% of salary.
- Share price appreciation of 50% has been assumed for the LTIP awards under the final 'Max with growth' scenario.
- Amounts relating to all-employee share schemes have, for simplicity, been excluded from the charts.

## Selection of performance measures and targets

### Annual bonus

The Executive Directors' 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 provided in the Annual Report on Remuneration

### Long-Term Incentive Plan

One of the primary aims of the share matching arrangement is to motivate participants to achieve very stretching adjusted EPS and ROIC growth targets aligned to the delivery of the STAR strategy. This is reflected in the ambitious target ranges set for the FY24 EPS and ROIC measures, details of which are provided in the Annual Report on Remuneration.

The share matching arrangement will operate for the first year of the new Policy period only after which, in future years, we will return to making annual awards under our normal LTIP. The Committee will review the choice of performance measures and the appropriateness of the performance targets prior to each LTIP grant. The target ranges for LTIP awards will be set as sliding scales which will be calibrated at the time of award taking account of internal and external forecasts, to encourage continuous improvement and incentivise the delivery of stretch performance.

## Flexibility, discretion and judgement

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

- who participates in the plan, the quantum of an award and/or payment and the timing of awards and/or payments;
- determining the extent of vesting;
- treatment of awards and/or payments on a change of control or restructuring of the Group;
- whether an Executive Director or a senior manager is a good/bad leaver for incentive plan purposes and whether the proportion of awards that vest do so at the time of leaving or at the normal vesting date(s);
- how and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or special dividends);
- what the weighting, measures and targets should be for the annual bonus plan and LTIP awards from year to year;
- the Committee also retains the ability, within the policy, if events occur that cause it to determine that the conditions set in relation to an annual bonus plan or a granted LTIP award are no longer appropriate or unable to fulfil their original intended purpose, to adjust targets and/or set different measures or weightings for the applicable annual bonus plan and LTIP awards. Any such changes would be explained in the subsequent Directors' Remuneration Report and, if appropriate, be the subject of consultation with the Company's major shareholders; and
- the ability to override formulaic outcomes in line with policy.

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

## Legacy arrangements

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

## Approach to recruitment remuneration

New Executive Directors will be offered a base 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, an uplift or a series of planned increases may be applied in order 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 related incidental expenses as appropriate.

Annual bonus awards, LTIP awards and pension contributions would not be in excess of the levels stated in the Policy and, if appropriate, may include participation in the matching arrangement in FY24.

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

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

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

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

### Executive Directors

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

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

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

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

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

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

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

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

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

# DIRECTORS' REMUNERATION POLICY CONTINUED

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

### Chair and Non-Executive Directors

All Non-Executive Directors have letters of appointment rather than service contracts and are appointed on a rolling annual basis, which may be terminated on giving up to 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.

Key details of the service contracts and letters of appointment of the current Directors can be found in the Annual Report on Remuneration and 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

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

The Committee currently comprises Chloe Ponsonby (Chair), Bruce Thompson, Bindi Foyle and Victor Chavez.

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

The Committee is authorised to take such internal and external advice as it considers appropriate in connection with carrying out its duties, including the appointment of its own external remuneration advisors. During the period, the Committee was assisted in its work by FIT Remuneration Consultants LLP ('FIT'). FIT was appointed in December 2019 and has provided advice in relation to general remuneration matters and the review of the remuneration policy. Fees paid to FIT in relation to advice provided to the Committee during the current period were £43,277 (excluding VAT), charged on a time/cost basis. FIT also provided advice to the Company in relation to Non-Executive Director fees and on technical share plan implementation matters but other than this did not provide any other services to the Company.

FIT is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the U.K. The Committee is satisfied that the advice it received from FIT was objective and independent.

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

- undertook a comprehensive review of the Executive Directors' remuneration arrangements which culminated in the preparation of a revised Directors' Remuneration Policy which will be put to shareholders for approval at the 2024 AGM;
- seeking the views of our major shareholders and the main voting agencies as part of a comprehensive consultation exercise to inform the design process for the revised Policy. Feedback was received from ISS and shareholders holding c.45% of our issued share capital and this has helped shape the new Policy;
- assessed whether our remuneration framework is appropriately aligned with our culture and values and motivates our leaders to achieve the Group's strategic objectives;
- reviewed guidance from investor bodies and institutional shareholders;
- reviewed and approved the remuneration packages for our current Executive Directors;
- determined the terms of the incoming CEO's package;
- approved the annual bonus outcome for the 2022/23 financial period;
- reviewed and confirmed the vesting of the LTIP awards granted in March 2020; and
- reviewed and approved the terms of the 2023 LTIP awards and monitored the performance of the outstanding awards against their performance targets.

Since the end of the 2022/23 financial period, the Committee has:

- concluded the consultation exercise on the new Directors' Remuneration Policy and written to our largest shareholders with details of the Committee's conclusions;
- made preparations for the one-off share matching awards to be made shortly after the AGM in February 2024;
- approved annual bonus outcomes to the Executive Directors and the Executive Board, following completion of the external audit in November 2023 and undertaken a final assessment of the performance conditions attached to the February 2021 LTIP awards (based on performance to 30 September 2023);
- approved restricted stock awards to LTIP participants (excluding Executive Directors) as a swap for the EPS element of the 2021 and 2022 LTIP awards (which will not vest);
- approved restricted stock awards for a select group of key employees as a retention tool; and
- agreed the annual bonus structure for the year ending 28 September 2024.

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

## ANNUAL REPORT ON REMUNERATION CONTINUED

### Single total figure of remuneration for Directors for the 52 weeks ended 30 September 2023 (audited)

Directors' single total figures of remuneration for the 52 weeks ended 30 September 2023 were as follows:

| | | Basic salary and fees £'000 | Pension[2] £'000 | Other benefits[3] £'000 | Fixed remuneration sub-total £'000 | Annual bonus £'000 | LTIP £'000 | Variable remuneration sub-total £'000 | Total remuneration £'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Current Executive Directors** | | | | | | | | | |
| Jos Sclater | 2023 | 376 | 29 | 12 | 417 | 93 | – | 93 | 510 |
| | 2022 | – | – | – | – | – | – | – | – |
| Rich Cashin[1] | 2023 | 359 | 27 | 14 | 400 | 90 | – | 90 | 490 |
| | 2022 | 199 | 15 | 5 | 219 | 106 | – | 106 | 325 |
| **Former Executive Directors** | | | | | | | | | |
| Paul McDonald[4] | 2023 | 342 | 26 | 15 | 383 | – | – | – | – |
| | 2022 | 513 | 58 | 17 | 588 | 285 | – | 285 | 873 |
| Nick Keveth[4] | 2023 | – | – | – | – | – | – | – | – |
| | 2022 | 180 | 27 | 10 | 217 | 99 | – | 99 | 316 |
| **Non-Executive Directors** | | | | | | | | | |
| Bruce Thompson[5] | 2023 | 175 | – | – | 175 | – | – | – | 175 |
| | 2022 | 175 | – | – | 175 | – | – | – | 175 |
| Chloe Ponsonby | 2023 | 65 | – | – | 65 | – | – | – | 65 |
| | 2022 | 65 | – | – | 65 | – | – | – | 65 |
| Bindi Foyle | 2023 | 60 | – | – | 60 | – | – | – | 60 |
| | 2022 | 60 | – | – | 60 | – | – | – | 60 |
| Victor Chavez | 2023 | 50 | – | – | 50 | – | – | – | 50 |
| | 2022 | 50 | – | – | 50 | – | – | – | 50 |

**Notes to total figure of remuneration table**

1. Jos Sclater joined the Board on 16 January 2023 and Rich Cashin joined the Board on 31 March 2022
2. Rich Cashin was a member of the Group's money purchase scheme in FY23. Contributions to the scheme were £5k. Remaining pension contributions for Rich and Jos were paid as a salary supplement
3. Benefits for FY23 included a car allowance, the cost of private health insurance, critical illness cover and executive medical
4. Paul McDonald and Nick Keveth stepped off the Board on 30 September 2022 and 31 March 2022 respectively
5. Bruce Thompson temporarily took on the role of Executive Chair from 1 October 2022 to 15 January 2023 after which he resumed his Non-Executive Chair role. No additional fees or any other payments were made to Bruce over the period he temporarily took on the Executive Chair role

### Annual bonus for the 52 weeks ended 30 September 2023 (audited)

The annual bonus opportunity for Executive Directors for FY23 was 125% of salary and this was based on financial targets, inclusive of Armour, relating to revenue (20%), adjusted operating profit (40%), operating cash flow (20%) and the achievement of strategic objectives (20%).

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

| Including Armour | Threshold (0% payable) | Stretch (100% payable) | Actual/ reported | % achievement | Bonus payable (% of maximum) |
|---|---|---|---|---|---|
| Revenue (20%) | $290.0m | $330.0m | $274.3m | 0.0% | 0.0% |
| Adjusted operating profit (40%) | $21.0m | $26.8m | Below threshold | 0.0% | 0.0% |
| Operating cash flow (20%) | $29.6m | $35.4m | Below threshold | 0.0% | 0.0% |
| Strategic objectives (20%) | | Set out in more detail below | | | |

Operating cash flow is defined as cash flows from operations before exceptional items, less net repayments of leases and capital expenditure.

The strategic element of the bonus for FY23 was based on the following broad categories with objectives assigned to each. The categories and achievements are set out in the table below:

| | |
|---|---|
| **Head Protection:** Establish leading position in Head Protection by securing and delivering contracts and approvals to support short and long term growth of business. | Well on track to become largest supplier of helmets to the U.S. DOD. Successful production ramp-up of NG IHPS helmet, well ahead of competition. FAT approval for ACH GEN II in final stages. Strong demand for newly launched EPIC helmet, targeted at commercial market worldwide. Medium term operational strategy developed to structurally improve margins. |
| **Respiratory Protection:** Maintain leading global position in Respiratory Protection. | Leading supplier of CBRN respirators to U.S. and U.K. military with high levels of collaboration on future product development. NSPA FM50 programme extended to new NATO countries. NSPA contract won for boots and gloves. Strong pipeline for technology leading rebreathers. |
| **Body and flat armour:** Manage the orderly wind down and closure of the Armour business. | Armour business fully exited by end of financial year as planned. Outstanding body and flat armour contractual obligations fulfilled. Assets sold and the Lexington facility sub-leased. Armour is now a discontinued business. |
| **Operations.** Upgrade operational capability to increase efficiency and to significantly improve conversion of orders into revenue on a consistent basis. | Continuous improvement culture and methodology introduced, with progress now visible through new operational metrics. Respiratory Business right-sized to reflect lower revenue base. Reduced levels of scrap and rework in Head Protection as product on ramps-up. |
| **Strategy & Organisation:** Review Group strategy in core Respiratory and Head Protection businesses and implement new organisation structure to support strategy. | Organisation re-structured into two Strategic Business Units (Respiratory and Head Protection) with focused leadership teams and designed to improve delivery, focus and accountability. New STAR strategy developed by the teams and translated into objectives and key results (OKRs). |
| **ESG:** Finalise the ESG policy, strategy and implementation plan, agree with Board and communicate with shareholders | Newly formed Sustainability Committee determined level of ambition, agreed on priority objectives aligned with STAR strategy and set stretching targets to be delivered over next five years with focus on reducing scrap in operations, energy usage and carbon emissions. |

Jos Sclater joined the Company shortly after the financial annual bonus targets were set. Upon joining and as mentioned earlier, Jos, with Rich Cashin the CFO, embarked upon a comprehensive review of the business and developed and implemented a new strategy and change of direction. The original financial targets were largely unachievable and this has resulted in no payout against the revenue, profit and cash objectives. The Committee could have amended the targets to align better with the new strategy but decided against this. Therefore, in practice, the maximum bonus opportunity was limited to the strategic objectives which accounted for 20% of the maximum bonus. Following strong individual performance and the accomplishment of important short term non-financial drivers, the Committee has determined that 20% out of the 20% on strategic objectives should be payable. The Committee recognises the sensitivities around paying a bonus based solely on non-financial performance but on this occasion believes it is warranted given the new CEO and targets that were made on an old strategy and set of assumptions.

### *Incentive awards vesting (audited)*

Awards were granted on 2 February 2021 under the LTIP to the former CEO and former CFO and these were based on three-year performance targets. Half of the award was subject to a relative TSR condition (measuring performance against the constituents of the FTSE 250 excluding investment trusts) and the other half was subject to EPS growth targets.

The TSR measurement period ended on 30 September 2023. The Company's TSR over this period was confirmed as (78.7)% which ranked the Company below the median of the peer group and therefore this part of the award will lapse full. The Company delivered an adjusted basic EPS of 40.3c, which was below the threshold growth target. Therefore, this element of the award will also lapse.

| | Weighting | Threshold | Maximum | Actual performance | % Vesting |
|---|---|---|---|---|---|
| TSR | 50% | Median | Upper quintile | Below median % TSR | 0% |
| Adjusted basic EPS | 50% | 155.5c | 199c | 40.3c | 0% |

### LTIP awards granted in the 52 weeks ended 30 September 2023 (audited)

The table below provides details of share awards made to Jos Sclater on 18 January 2023 and Rich Cashin on 21 December 2022:

| | Type of award | Basis of award | Number of shares under award[1] | Face value of award (£'000) | % vesting at threshold | End of performance period |
|---|---|---|---|---|---|---|
| Jos Sclater[1] | Nil cost option | 175% of salary | 84,607 | 922 | 20% (TSR)<br>0% (EPS) | 18 January 2026 (TSR)<br>30 September 2025 (EPS) |
| Rich Cashin[1] | Nil cost option | 150% of salary | 49,406 | 538 | 20% (TSR)<br>0% (EPS) | 20 December 2025 (TSR)<br>30 September 2025 (EPS) |

1 The number of awards was based on a share price of £10.89 which was the Company's five-day average share price over 14 December 2022 to 20 December 2022

## **ANNUAL REPORT ON REMUNERATION** CONTINUED

### **LTIP awards granted in the 52 weeks ended 30 September 2023 (audited)** continued

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

The first performance condition for 50% of the award compares the Company's total shareholder return (TSR) performance over the performance period relative to a comparator group. The comparator group for the TSR element is the constituents of the FTSE 250 Index (excluding investment trusts) as at the start of the performance period. No portion of the TSR element may vest unless the Company's TSR performance over the performance period at least equals the median TSR performance within the comparator group, for which 20% of the TSR element may vest, rising on a straight-line basis to full vesting of the TSR element for upper quintile or better relative TSR performance.

The second performance condition for the other 50% of the award is based on the Company's adjusted basic earnings per share (EPS) over the three-year performance period commencing on 1 October 2022. No portion of the EPS element may vest unless the adjusted EPS for the 2025 financial period is at least 100 U.S. cents, for which 0% of the EPS element may vest, rising on a straight-line basis to full vesting of the EPS element for EPS of 150 U.S. cents or better. The EPS element of the awards is subject to a return on capital employed underpin in respect of which the Remuneration Committee retains discretion to reduce the extent of vesting of the EPS element by regard to the Company's ROCE performance over the performance period.

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

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

Beneficial interests of Directors, their families and trusts in ordinary shares of the Company at 30 September 2023 were:

| | **Number of shares owned outright (including *connected persons*)** | **Unvested shares subject to performance *conditions*[1]** | **Shareholding as a % of salary as at 30 September 2023** | **Shareholding guidelines (*200% of salary*) *met?*** |
|---|---|---|---|---|
| Jos Sclater | 24,130 | 84,607 | 14% | No |
| Rich Cashin | 11,185[2] | 82,092 | 10% | No |
| Bruce Thompson | 31,000 | – | N/A | N/A |
| Chloe Ponsonby | 4,550 | – | N/A | N/A |
| Bindi Foyle | 2,000 | – | N/A | N/A |
| Victor Chavez | 1,015 | – | N/A | N/A |

1 Unvested LTIP shares

2 Includes [illegible],185 2022 deferred bonus shares

3 Between the year end and the start of the close period on 22 October 2023 Jos Sclater and Rich Cashin purchased 30,356 and 20,000 shares respectively

### **Outstanding LTIP awards (audited)**

| | **Award date** | **Award held at 1 October 2022** | **Granted in the period** | **Vested in the period** | **Lapsed in the period** | **Outstanding awards at 30 September 2023** |
|---|---|---|---|---|---|---|
| Jos Sclater | 18.01.23 | – | 84,607 | – | – | **84,607** |
| Rich Cashin | 21.12.22 | – | 49,406 | – | – | **49,406** |
| | 08.03.22 | 32,686 | – | – | – | 32,686 |

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

### **Total Directors' remuneration for the 52 weeks ended 30 September 2023 under Schedule 5 (audited)**

| | **2023 £'000** | **2022 £'000** |
|---|---|---|
| Aggregate remuneration, excluding gains on exercise of share options | 1,350 | 1,864 |
| Aggregate gains on the exercise of share options[1] | – | 386 |
| Aggregate contribution to defined contribution pension scheme[2] | 5 | 8 |

1 Gains on exercise of share options are shown at the actual value of vested shares using the vesting date share price

2 During the period pension contributions were paid to defined contribution schemes for one Director (2022: two Directors)

## Dilution

The Company reviews the awards of shares made under the all-employee and executive share plans in terms of their effect on dilution limits in any rolling ten-year period. In respect of the 5% and 10% limits recommended by the Investment Association, in the period of 10 years ending on 30 September 2023, we issued 300,000 shares in 2013 to satisfy awards under all our share plans, which represents 0.96% of our issued ordinary share capital at 30 September 2023.

It remains the Company's practice to use an Employee Share Ownership Trust (ESOT) in order to meet its liability for shares awarded under the LTIP.

At 30 September 2023 there were 261,714 shares held in the ESOT which will either be used to satisfy awards granted under the LTIP to date, or in connection with future awards. A hedging committee ensures that the ESOT holds sufficient shares to satisfy existing and future awards made under the LTIP by buying shares in the market or recommending the Company issues new shares. Shares held in the ESOT do not receive dividends.

As at 30 September 2023, the market price of Avon Protection plc shares was £6.18 (2022: £11.24). During the 52 weeks ended 30 September 2023 the highest and lowest daily closing market prices were £12.00 and £6.17 respectively.

## Share Incentive Plan

The Company currently operates the Avon Rubber p.l.c. Share Incentive Plan (SIP), approved by shareholders at the AGM in February 2012. All U.K. tax resident employees of the Company and its subsidiaries are entitled to participate. Under the SIP, participants purchase shares in the Company monthly using deductions from their pre-tax pay. Jos Sclater and Rich Cashin were not members of the SIP during the period. The maximum contribution each month under the SIP is currently £150, a sum which is set by the Government.

## Payments to past Directors, including payments for loss of office (audited)

Nick Keveth stepped down from the Board and his role as CFO on 31 March 2022 and Paul McDonald stepped down from the Board and his role as CEO on 30 September 2022. Nick received no further remuneration during FY23. Paul continued to receive his salary and contractual benefits (including pension allowance/contributions) up until the end of his contractual notice period on 31 May 2023. Paul did not receive a bonus for FY23. For the period 1 October 2022 to 31 May 2023, Paul was paid £342,000 in base salary, £15,000 in benefits and £26,000 in pension benefits.

As good leavers, both Nick and Paul were allowed to keep their unvested LTIP awards subject to achievement of performance criteria and a time pro rata reduction. The LTIP awards granted to Nick and Paul on 17 March 2020 failed to meet the threshold performance conditions and thus lapsed in full. As a result, 18,383 and 31,734 awards lapsed for Nick and Paul respectively during FY23.

## 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 |
|---|---|---|---|
| Jos Sclater | 17 October 2022 | 12 months | 12 months |
| Rich Cashin | 6 January 2022 | 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 | 27 January 2023 |
| Bruce Thompson | 1 March 2020 | 27 January 2023 |
| Bindi Foyle | 1 May 2020 | 27 January 2023 |
| Victor Chavez | 1 December 2020 | 27 January 2023 |

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

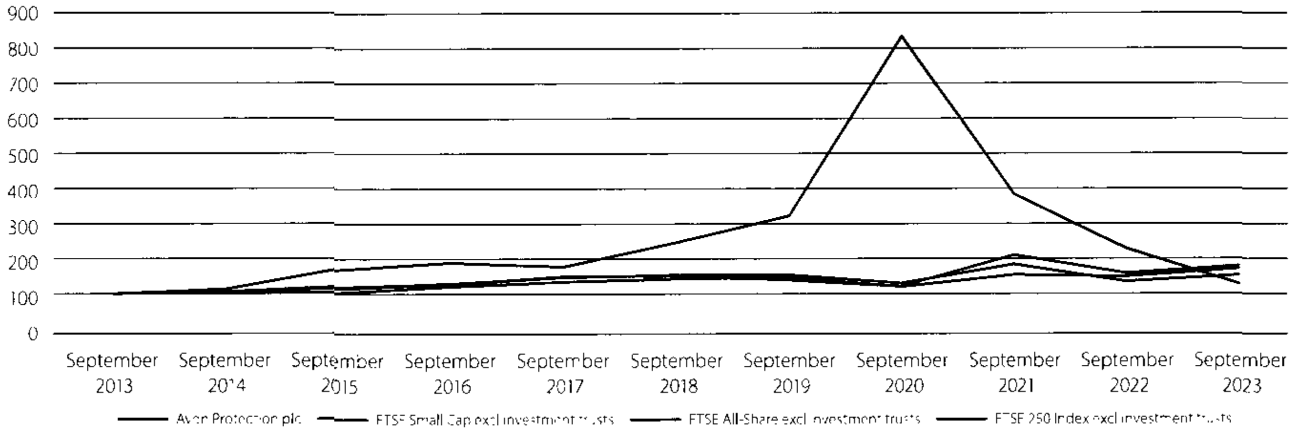
## Other appointments

Rich Cashin is not currently appointed as a Non-Executive Director of any company outside the Group. Jos Sclater remains a Director of two secure companies within the Ultra Group which were established to safeguard technology critical to U.K. national security as part of the acquisition by Cobham in 2021. Jos Sclater does not receive any remuneration for these services.

## **ANNUAL REPORT ON REMUNERATION** CONTINUED

### Total shareholder return performance graph

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




### 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 CEO for each of the last ten financial periods are shown in the table below.

Peter Slabbert retired on 30 September 2015. Rob Rennie stood down from the Board and was replaced by Paul McDonald on 15 February 2017. Paul McDonald stepped down as CEO on 30 September 2022 and was replaced by Jos Sclater on 16 January 2023.

| Financial period | CEO | CEO single figure of total remuneration £'000 | Annual bonus pay-out against maximum opportunity | Long-term incentive vesting |
|---|---|---|---|---|
| 2023 | Jos Sclater | 510 | 20% | – |
| 2022 | Paul McDonald | 873 | 44% | 0% |
| 2021 | Paul McDonald | 819 | 0% | 50% |
| 2020 | Paul McDonald | 1,686 | 66% | 100% |
| 2019 | Paul McDonald | 928 | 55% | 80% |
| 2018 | Paul McDonald | 734 | 80% | 84% |
| 2017 | Paul McDonald | 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% |

* Includes remuneration received in the period prior to his appointment as Director in 2017

## Percentage change in remuneration of Directors compared with other employees

The following table shows the percentage change in each Executive and Non-Executive Director's remuneration compared with the average change for all employees of the Company for the 52 weeks ended 30 September 2023. Changes for prior periods are also shown which are building up over time to cover a rolling five-year period.

| | Salary/fee | | | | Pension and other benefits | | | | Annual bonus | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2023 | 2022 | 2021 | 2020 | 2023 | 2022[10] | 2021 | 2020 |
| **Current Directors** | | | | | | | | | | | | |
| Jos Sclater[1] | – | – | – | – | – | – | – | – | – | – | – | – |
| Rich Cashin[2] | 80.4% | – | – | – | 105.0% | – | – | – | (15.1)% | – | – | – |
| Bruce Thompson[3] | 0.0% | 13.6% | 541.7% | – | – | – | – | – | – | – | – | – |
| Chloe Ponsonby | 0.0% | (3.0)% | 19.6% | 8.8% | – | – | – | – | – | – | – | – |
| Bindi Foyle[4] | 0.0% | 5.3% | 735.3% | – | – | – | – | – | – | – | – | – |
| Victor Chavez[5] | 0.0% | 19.0% | – | – | – | – | – | – | – | – | – | – |
| **Past Directors** | | | | | | | | | | | | |
| Paul McDonald[6] | (33.3)% | 2.8% | 22.0% | 5.1% | (45.3)% | (17.6)% | 15.2% | 54.9% | (100.0)% | – | (100.0)% | 25.7% |
| Nick Keveth[7] | – | (48.6)% | 22.8% | 5.6% | – | (44.8)% | 13.6% | 37.2% | – | – | (100.0)% | 26.4% |
| Pim Vervaat[8] | – | – | (58.9)% | 0.0% | – | – | – | – | – | – | – | – |
| David Evans[8] | – | – | (82.9)% | 0.0% | – | – | – | (100.0)% | – | – | – | – |
| **All employees[9]** | 5.3% | 3.2% | 4.7% | 6.0% | 11.2% | 3.9% | 6.8% | 6.9% | (36.8)% | N/A | (100.0)% | 38.2% |

1 Jos Sclater joined the Board on 16 January 2023
2 Rich Cashin joined the Board on 31 March 2022
3 Bruce Thompson was appointed as Chair on 2 December 2020
4 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
5 Victor Chavez was appointed to the Board with effect from 1 December 2020
6 Paul McDonald stepped off the Board on 30 September 2022
7 Nick Keveth stepped off the Board on 31 March 2022
8 Pim Vervaat and David Evans stepped off the Board on 29 January 2021 and 2 December 2020 respectively
9 As the only Avon Protection plc employees are the CEO and the CFO, comparative figures for all U.K. employees of the Group have been set out on a voluntary basis. To aid comparison, the group of employees selected are those full time U.K. employees who were employed over the complete period
10 In 2021 no bonuses were payable to Directors or employees, meaning percentage changes are not applicable for 2022

## *Chief Executive Officer to employee pay ratio*

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

| Financial period | Method | 25th percentile | Median | 75th percentile |
|---|---|---|---|---|
| 2023 | A | 26:1 | 21:1 | 13:1 |
| 2022 | A | 36:1 | 28:1 | 19:1 |
| 2021 | A | 36:1 | 29:1 | 20:1 |

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 2023. The CEO pay figure is the total remuneration figure as set out in the single figure table and then annualised and equivalent figures (on a full-time equivalent basis) have been calculated for the relevant 25th, 50th and 75th percentile employees.

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

| Financial period | 25th percentile | Median | 75th percentile |
|---|---|---|---|
| 2023 | £26,060 | £32,535 | £50,435 |

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

| Financial period | 25th percentile | Median | 75th percentile |
|---|---|---|---|
| 2023 | £24,819 | £30,300 | £45,866 |

The Committee is satisfied that CEO remuneration is reasonable and consistent with the Company's wider policies on employee pay, reward and progression; see page 91 for further details.

# ANNUAL REPORT ON REMUNERATION CONTINUED

## Relative importance of spend on pay

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

| | 2023<br>$m | 2022<br>(restated)[1]<br>$m | % change |
|---|---|---|---|
| Overall expenditure on pay (note 6.1) | **83.2** | 87.2 | (4.6%) |
| Dividends paid | **13.4** | 13.4 | 0.0% |
| Loss retained (loss for the period less dividends and share buyback) | **(27.8)** | (33.4) | (16.8%) |
| R&D expenditure (including capitalised development costs) | **10.2** | 10.9 | (6.4%) |
| Other capital expenditure (excluding capitalised development costs) | **7.9** | 3.1 | 154.8% |

1 Comparative overall expenditure on pay has been increased by $4.5 million, with the restatement reflecting a correction to expense allocations. This is a disclosure restatement and does not have an impact on the Group's primary statements.

## Implementation of policy for the 52 weeks ended 28 September 2024

### Basic salary

Salaries have been increased by 4.5% to £550,291 and £374,894 for Jos Sclater and Rich Cashin respectively. This is in line with the average increase across the wider U.K. workforce of 4.5%.

| | 2024<br>£ | 2023<br>£ |
|---|---|---|
| Jos Sclater | **550,291** | 526,594 |
| Rich Cashin | **374,894** | 358,750 |

### Non-Executive Director fees

Fees have been increased by 4.5% for the Non-Executive Directors, in line with the average increase across the wider U.K. workforce of 4.5%.

| | 2024<br>£ | 2023<br>£ |
|---|---|---|
| Chair | **182,875** | 175,000 |
| Non-Executive Director | **52,250** | 50,000 |
| Committee Chair | **10,450** | 10,000 |
| Senior Independent Director | **10,450*** | 10,000* |

* There is a maximum additional fee of £15,675 if the Senior Independent Director also chairs a Committee

### Benefits

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

### Pension

The Executive Directors receive a contribution towards pension of 7.5% of basic salary, paid either as a non-pensionable salary supplement or delivered through the Group's money purchase scheme. This contribution rate is in line with the U.K. workforce rate.

### Annual bonus

For the 2024 financial period, the maximum opportunity under the annual bonus plan will be 125% of base salary for both Executive Directors. 25% of the total bonus payment will be deferred into shares for two years.

Bonuses will be based on absolute Group operating profit (50%), average working capital turns (30%) and strategic objectives (20%). The actual targets are commercially sensitive and will be disclosed on a retrospective basis.

### 2024 LTIP awards

The Committee expects to make awards under the one-off share matching arrangement to Jos Sclater and Rich Cashin in February 2024. Full details of the performance conditions and targets are set out in the Remuneration Committee Chair's letter on page 89.

**Statement of shareholder voting on the Remuneration Report**

The shareholder vote on the Remuneration Report for the 52 weeks ended 1 October 2022 at the AGM which took place on 27 January 2023 was as follows:

| Resolution | Votes for (including discretionary) | % for | Votes against (excluding withheld) | % against | Total (excluding withheld and third party discretionary | Withheld |
|---|---|---|---|---|---|---|
| Approval of the Directors' Remuneration Report | 17,756,159 | 83.71% | 3,456,535 | 16.29% | 21,212,694 | 6,134 |

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

***Chloe Ponsonby***
Chair of the Remuneration Committee

21 November 2023

# 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 2023. The Company is a public limited company incorporated and domiciled in England and Wales with company registration number 32965. The Company's subsidiary undertakings, including those located outside the U.K., are listed in note 7.3 of the financial statements.

## Strategic Report

The Strategic Report, which contains a review of the Group's business (including by reference to key performance indicators), a description of the principal risks and uncertainties facing the Group, and commentary on likely future developments, is set out on pages 62 to 69 and is incorporated into this Directors' Report by reference.

## Financial results and dividend

The Group statutory loss for the period after taxation amounts to \$14.4 million (2022: loss \$7.6 million). Full details are set out in the Consolidated Statement of Comprehensive Income on page 129.

An interim dividend of 14.3 U.S. cents per share (converted to 11.25p) was paid in respect of the period ended 30 September 2023 (2022: 14.3c).

The Directors recommend a final dividend of 15.3 U.S. cents per share, which will be converted into GBP prior to payment to shareholders (2022: 30.6c), resulting in a total dividend distribution per share for the 52 weeks ended 30 September 2023 of 29.6 U.S. cents per share (2022: 44.9c)

## Share capital

The Company only has one class of share capital, which comprises ordinary shares of £1 each. On 28 January 2022, the Company announced a Share Buyback Programme, which concluded on 13 April 2022 following the purchase of 765,098 shares. The buyback programme was formally cancelled on 23 May 2023. As at 21 November 2023 the Company has 30,258,194 shares in issue, with 765,098 held in treasury, and no shares were issued during the period. All shares forming part of the ordinary share capital have the same rights and carry one vote each. There are no unusual restrictions on the transfer of a share. Further details of the shares in issue during the financial year are set out in note 5.5 of the financial statements.

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

The 261,714 shares held in the name of the Employee Share Ownership Trust are held as a hedge against awards previously made or to be made pursuant to the Long-Term Incentive Plan and are held on terms which provide voting rights to the trustee.

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

At the Company's last AGM held on 27 January 2023, shareholders authorised the Company to make market purchases of up to 3,025,819 of the Company's issued ordinary shares. No shares were purchased under this authority during the period. 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 2023 AGM and resolutions to renew these authorities will be proposed at the 2024 AGM; see explanatory notes on pages 176 to 178. No shares were allotted under this authority during the period.

## Substantial shareholdings

As at 30 September 2023 the following shareholders held 3% or more of the Company's issued share capital:

| | |
|---|---|
| Alantra EQMC Asset Management SGIIC SA | 14.93% |
| Kempen Capital Management Nv | 11.00% |
| Aberforth Partners LLP | 8.30% |
| Ancora Advisors LLC | 5.06% |
| Schroder Investment Management Limited | 4.98% |
| Royal London Asset Management Limited | 3.83% |
| NFU Mutual | 3.57% |
| Hargreaves Lansdown Stockbrokers | 3.35% |
| Invesco Asset Management Limited | 3.13% |

## 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, and
- 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 conditions have been satisfied and the amount of time that has 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 21 November 2023 and their biographies are shown on pages 74 and 75. Jos Sclater was appointed to the Board on 16 January 2023.

According to the Articles of Association, all Directors are subject to election by shareholders at the first AGM following their appointment, and to re-election thereafter at intervals of no more than three years. In line with best practice reflected in the U.K. Corporate Governance Code, all current Directors will be standing for re-appointment at the forthcoming AGM to be held on 26 January 2024.

The remuneration of the Directors including their respective shareholdings in the Company is set out in the Remuneration Report on pages 99 to 107.

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

## *Directors' and Officers' indemnity insurance*

In accordance with the Company's Articles and subject to the provisions of the Companies Act 2006 ('the Act'), the Company maintains, at its expense, Directors' and Officers' Liability 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 period no Director held any beneficial interest in any contract significant to the Company's business, other than a contract of employment. The Company has procedures set out in the Articles for managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Group, they are required to notify the Board as soon as reasonably practicable.

## Research and development

The Group continues to utilise its technical and materials expertise to remain at the forefront of innovative technology and produce specialist products and services to maximise the performance and capabilities of its customers. The Group maintains its links to key universities in the U.S. and U.K. and continues to work with new and existing customers and suppliers to develop its knowledge and product range. Total Group expenditure on research and development in the year was $10.2 million (2022: $10.9 million), further details of which are contained in the Strategic Report on page 59.

## Corporate governance

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 76 to 79. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by cross-reference.

## Stakeholder engagement

The Board factors stakeholder opinions and feedback into its decisions to ensure the impact on key stakeholders' needs and concerns is considered. More information on how the Board engages with stakeholders can be found in the Section 172 Statement on pages 36 to 39.

## 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 Sustainability Report on pages 41 to 49.

## *Greenhouse gas emissions*

The disclosures concerning greenhouse gas emissions required by law are included in the Sustainability Report on page 45.

## *Political and charitable contributions*

No political contributions were made during the period or the prior *period. Contributions for charitable purposes amounted to $124,706* (2022: $108,403) consisting of numerous small donations to various community charities in Wiltshire, Maryland, Michigan, New Hampshire, California and Ohio.

## Policy on employee disability

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

## Financial instruments

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

## Independent auditor

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

## Auditor

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

## Annual General Meeting

The Company's AGM will be held at our Hampton Park West facility, Semington Road, Melksham, Wiltshire SN12 6NB, on 26 January 2024 at 10.30 am. Registration will be from 10.00 am. 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 174 to 178.

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

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with U.K. adopted International Accounting Standards.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group and Parent Company. 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;
- state whether they have been prepared in accordance with U.K. adopted International Accounting Standards;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

In accordance with Disclosure Guidance and Transparency Rule ('DTR') 4.1.16R, the financial statements will form part of the annual financial report prepared under Disclosure Guidance and Transparency Rule ('DTR') 4.1.17R and 4.1.18R. The Auditor's Report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

## Directors' confirmations

Each of the Directors, whose names and functions are listed on pages 74 and 75, confirms that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, 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 Directors' Report and Responsibilities Statement were approved by the Board of Directors on 21 November 2023 and are signed on its behalf by:

Pld Jos Sclater

**Jos Sclater**
Chief Executive Officer

21 November 2023

# ADJUSTED PERFORMANCE MEASURES

# CONTENTS



**“**

**THE GROUP HAS DILIGENTLY WORKED TO IMPLEMENT THE NEW OPERATING MODEL, WITH THE CREATION OF TWO STRATEGIC BUSINESS UNITS FOR RESPIRATORY PROTECTION AND HEAD PROTECTION, EACH WITH FOCUSED LEADERSHIP TEAMS WHO ARE EMPOWERED AND ACCOUNTABLE FOR DELIVERING OUR STAR STRATEGY.**

## PERFORMANCE MEASUREMENT

The Directors assess the operating performance of the Group based on adjusted measures of EBITDA, operating profit, net finance costs, taxation and earnings per share, as well as other measures not defined under IFRS including orders received, closing order book, EBITDA margin, operating profit margin, return on invested capital, cash conversion, net debt excluding lease liabilities, average working capital turns, and constant currency equivalents for relevant metrics. These measures are collectively described as Adjusted Performance Measures (APMs) in this Annual Report

The Directors believe that the APMs provide a useful comparison of business trends and performance. The APMs exclude exceptional items considered unrelated to the underlying trading performance of the Group. The term adjusted is not defined under IFRS and may not be comparable with similarly titled measures used by other companies.

The Group uses these measures for planning, budgeting and reporting purposes and for its internal assessment of the operational performance.

## ADJUSTED PERFORMANCE MEASURES

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

| | 52 weeks ended 30 September 2023 | | | 52 weeks ended 1 October 2022 (restated)[1] | | |
|---|---|---|---|---|---|---|
| | **Adjusted $m** | **Adjustments $m** | **Total $m** | **Adjusted $m** | **Adjustments $m** | **Total $m** |
| **Continuing operations** | | | | | | |
| **Revenue** | 243.8 | – | 243.8 | 263.5 | – | 263.5 |
| Cost of sales | (157.9) | – | (157.9) | (174.6) | – | (174.6) |
| **Gross profit** | 85.9 | – | 85.9 | 88.9 | – | 88.9 |
| Sales and marketing expenses | (14.9) | – | (14.9) | (15.0) | – | (15.0) |
| Research and development costs | (10.0) | (0.2) | (10.2) | (8.8) | (1.4) | (10.2) |
| General and administrative expenses | (39.8) | (33.6) | (73.4) | (41.7) | (11.0) | (52.7) |
| **Operating profit/(loss)** | 21.2 | (33.8) | (12.6) | 23.4 | (12.4) | 11.0 |
| | | | | | | |
| **EBITDA** | 35.7 | (2.9) | 32.8 | 38.8 | (1.6) | 37.2 |
| Depreciation, amortisation and impairment | (14.5) | (30.9) | (45.4) | (15.4) | (10.8) | (26.2) |
| **Operating profit/(loss)** (note 1) | 21.2 | (33.8) | (12.6) | 23.4 | (12.4) | 11.0 |
| Net finance costs (note 5) | (7.2) | (0.4) | (7.6) | (3.7) | (1.3) | (5.0) |
| **Profit/(loss) before taxation** | 14.0 | (34.2) | (20.2) | 19.7 | (13.7) | 6.0 |
| Taxation (note 3) | (1.9) | 5.7 | 3.8 | (3.1) | 2.8 | (0.3) |
| Profit/(loss) for the period from continuing operations | 12.1 | (28.5) | (16.4) | 16.6 | (10.9) | 5.7 |
| | | | | | | |
| **Discontinued operations** – profit/(loss) from discontinued operations (note 4) | – | 2.0 | 2.0 | – | (13.3) | (13.3) |
| **Profit/(loss) for the period** (note 5) | 12.1 | (26.5) | (14.4) | 16.6 | (24.2) | (7.6) |
| **Basic earnings/(loss) per share** | 40.3c | (88.3)c | (48.0)c | 54.7c | (79.8)c | (25.1)c |
| **Diluted earnings/(loss) per share** | 40.3c | (88.3)c | (48.0)c | 54.4c | (79.3)c | (24.9)c |

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect reclassification of research and development costs, reclassification of selling and distribution costs, and the discontinuation of the Armour business. These are disclosed in APMs note 3

## 1 Adjustments to operating loss

Adjusted operating profit excludes discontinued operations and 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.

| | 2023 $m | 2022 (restated)[1] $m |
|---|---|---|
| **Operating (loss)/profit** | (12.6) | 11.0 |
| Amortisation of acquired intangibles | 6.3 | 6.8 |
| Restructuring costs | 1.4 | 1.6 |
| Restructuring-related impairment of non-current assets | 0.7 | 0.4 |
| *Impairment of other non-current assets (excluding restructuring related impairments)* | 0.5 | 3.6 |
| Impairment of goodwill | 23.4 | – |
| Transition costs | 1.5 | – |
| **Adjusted operating profit** | 21.2 | 23.4 |
| Depreciation | 9.2 | 9.1 |
| Other impairment charges | – | 0.4 |
| Other amortisation charges | 5.3 | 5.9 |
| **Adjusted EBITDA** | 35.7 | 38.8 |

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business

### Amortisation of acquired intangibles

Amortisation charges for acquired intangible assets of $6.3 million (2022: $6.8 million) are considered exceptional as they do not change each period based on underlying business trading and performance.

### Restructuring costs

Restructuring costs related to the right-sizing of operations were $1.4 million (2022: $1.6 million). These costs are considered exceptional as they relate to specific programmes which do not form part of the underlying business trading and performance.

### Restructuring-related impairment of non-current assets

Restructuring-related impairment of non-current assets was $0.7 million. This related to the closure of one of our U.S. offices, with a $0.5 million *impairment to right of use assets (2022: $0.4 million impairment), and $0.2 million impairment to plant and machinery (2022: $nil). These costs are* considered exceptional as they relate to a specific office closure which does not form part of the underlying business trading and performance.

### Impairment of other non-current assets

Reviews of the Group's non-current assets resulted in $0.5 million exceptional impairment losses (2022: $3.6 million) as the carrying value of certain product group level CGUs exceeded estimated recoverable amounts. Further details are provided in note 3.1. The impairment losses are significant items resulting from changes in assumptions for future recoverable amounts. As such they are considered unrelated to current or prior year trading performance.

In the prior period the Group also recognised $0.4 million other non-current asset impairments that were not considered exceptional (note 3.1).

### Impairment of goodwill

Review of the Head Protection CGU resulted in impairment to goodwill of $23.4 million (2022: $nil) as the carrying value of the CGU exceeded its estimated recoverable amount. Further details are provided in note 3.1. The impairment is a significant item based on forecast assumptions for future cash flows. As such it is considered unrelated to current year trading performance.

### Transition costs

Transition costs of $1.5 million (2022: $nil) related to the transfer of legacy Team Wendy operations in Head Protection onto a Group controlled ERP system. These costs are considered transition-related and exceptional as they relate to a specific programme for Team Wendy operations that was only required as *a result of acquisition in November 2020.*

## 2 Adjustments to net finance costs

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

| | 2023<br>$m | 2022<br>(restated)[1]<br>$m |
|---|---|---|
| Net finance costs | 7.6 | 5.0 |
| Defined benefit pension unwind discount | (0.4) | (1.3) |
| **Adjusted net finance costs** | 7.2 | 3.7 |

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business

$0.4 million (2022: $1.3 million) unwind of discounting on the U.K. defined benefit pension scheme liability is treated as exceptional given the scheme relates to employees employed prior to 31 January 2003 and was closed to future accrual of benefits on 1 October 2009 (note 6.2).

## 3 Adjustments to taxation

Adjustments to taxation represent the tax effects of the adjustments to operating profit and net finance costs. Except for the impairment to goodwill, adjusting items do not have significantly different effective tax rates compared to statutory rates, with an overall effective rate of 17% (2022: 20%).

The $23.4 million impairment of goodwill resulted in a tax credit of $3.4 million (effective tax rate 14.5%), which explains the lower overall rate compared to statutory rates on the total level of adjustments

## 4 Profit from discontinued operations

The adjusted profit measures exclude the result from discontinued operations relating to the divestment of milkrite | InterPuls and closure of the Armour business (note 2.2)

During the period, total profit after tax from discontinued operations was $2.0 million (2022: loss after tax of $13.3 million)

## 5 Adjustments to loss for the period

| | 2023<br>$m | 2022<br>(restated)[1]<br>$m |
|---|---|---|
| **Loss for the period** | (14.4) | (7.6) |
| Amortisation of acquired intangibles | 6.3 | 6.8 |
| Restructuring costs | 1.4 | 1.6 |
| Restructuring-related impairment of non-current assets | 0.7 | 0.4 |
| Impairment of other non-current assets (excluding restructuring-related impairments) | 0.5 | 3.6 |
| Impairment of goodwill | 23.4 | – |
| Transition costs | 1.5 | – |
| Defined benefit pension unwind discount | 0.4 | 1.3 |
| Tax on exceptional items | (5.7) | (2.8) |
| (Profit)/loss from discontinued operations | (2.0) | 13.3 |
| **Adjusted profit for the period** | 12.1 | 16.6 |

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business

## 6 Adjusted earnings per share

| **Weighted average number of shares** | 2023 | 2022 |
|---|---|---|
| Weighted average number of ordinary shares in issue used in basic calculation (thousands) | 29,996 | 30,308 |
| Potentially dilutive shares (weighted average) (thousands) | 263 | 221 |
| Diluted number of ordinary shares (weighted average) (thousands) | 30,259 | 30,529 |

| **Adjusted continuing earnings per share** | 2023<br>$ cents | 2022<br>(restated)[1]<br>$ cents |
|---|---|---|
| Basic | 40.3c | 54.7c |
| Diluted | 40.3c | 54.4c |

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business

## 7 Net debt

| | 2023 $m | 2022 $m |
|---|---|---|
| Cash and cash equivalents | 13.2 | 9.5 |
| *Bank loans* | (77.7) | (53.7) |
| **Net debt excluding lease liabilities** | (64.5) | (44.2) |
| *Lease liabilities* | (20.9) | (23.8) |
| **Net debt including lease liabilities** | (85.4) | (68.0) |

## 8 Adjusted dividend cover ratio

| | 2023 $ cents | 2022 (restated)[1] $ cents |
|---|---|---|
| *Interim dividend* | 14.3c | 14.3c |
| Final dividend | 15.3c | 30.6c |
| **Total dividend** | 29.6c | 44.9c |
| **Adjusted basic earnings per share** | 40.3c | 54.7c |
| **Adjusted dividend cover ratio** | 1.4 times | 1.2 times |

[1] Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business

## 9 Return on invested capital

Return on invested capital (ROIC) is calculated as adjusted operating profit over average invested capital relating to continuing operations.

| | 2023 $m | 2022 $m |
|---|---|---|
| **Net assets** | 159.4 | 210.5 |
| **Net assets associated with discontinued operations** | (5.6) | (8.4) |
| **Net assets associated with continuing operations** | 153.8 | 202.1 |
| Net debt excluding lease liabilities | 64.5 | 44.2 |
| Lease liabilities (excluding liabilities associated with discontinued operations) | 20.9 | 14.5 |
| Pension | 40.2 | 6.3 |
| Derivatives | (0.9) | (0.5) |
| Net tax | (33.2) | (25.1) |
| **Total invested capital** | 245.3 | 241.5 |
| **Average invested capital** | 243.4 | 261.3 |
| **Adjusted operating profit** | 21.2 | 23.4 |
| **ROIC** | 8.7% | 9.0% |

| **Average invested capital** | 2023 $m | 2022 $m |
|---|---|---|
| Current period invested capital | 245.3 | 241.5 |
| Prior period invested capital | 241.5 | 281.0 |
| Average invested capital | 243.4 | 261.3 |

## 10 Average working capital turn (AWCT)

AWCT is the ratio of the 12 month average month end working capital (defined as the total of inventory, receivables and payables excluding lease liabilities) to revenue, based on continuing operations.

| Continuing operations | 2023 $m | 2022 $m |
|---|---|---|
| 12 month average month end working capital | 65.7 | 48.2 |
| Revenue | 243.8 | 263.5 |
| **AWCT** | 3.7 | 5.5 |

## 11 Cash conversion

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

| | 2023 $m | 2022 (restated)[1] $m |
|---|---|---|
| Cash flows from continuing operations before exceptional items | 2.5 | 58.7 |
| Adjusted EBITDA | 35.7 | 38.8 |
| **Cash conversion** | 7.0% | 151.3% |

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business

| | 2023 $m | 2022 (restated)[1] $m |
|---|---|---|
| Cash flows from continuing operations | 0.2 | 57.7 |
| Restructuring and transition costs paid | 2.3 | 1.0 |
| **Cash flows from continuing operations before exceptional items** | 2.5 | 58.7 |

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business

## 12 Constant currency reporting

*Constant currency measures are calculated by translating the prior period at current period exchange rates.*

| Continuing operations | 2023 $m | 2022 (restated)[1] $m |
|---|---|---|
| Orders received | 258.7 | 266.3 |
| Closing order book | 135.8 | 122.5 |
| Revenue | 243.8 | 263.5 |
| Adjusted EBITDA | 35.7 | 41.3 |
| Adjusted operating profit | 21.2 | 26.0 |
| Adjusted profit before tax | 14.0 | 22.4 |
| Adjusted basic earnings per share | 40.3c | 62.2c |

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business

## 13 Restatement of adjusted performance measures

As per statutory equivalents reconciled in note 7.5, prior period comparatives for adjusted performance measures have been restated to present the Armour business as a discontinued operation, and to reclassify certain expenses in the Consolidated Statement of Comprehensive Income.

*Expense reclassifications include disclosure of research and development costs as a separate line item below gross profit, and recategorisation of selling and distribution costs. The change in accounting policy provides visibility of research and development costs on the face of the Consolidated Statement of Comprehensive Income when it was previously only reported in the Financial Review. Selling and distribution costs have been disaggregated into sales* and marketing expenses, presented in a separate line below gross profit, and freight and distribution costs which have been reclassified into cost of sales.

This presentation reflects the way the business performance will be monitored in future, with separate disclosure of research and development appropriate as an integral part of operations. It is also consistent and comparable with common market practice and therefore provides reliable and more relevant information to the reader. Overall operating loss figures for the previous period remain unchanged as this is only a presentational restatement. A reconciliation of reported prior period to restated figures is presented below:

### Consolidated Statement of Comprehensive Income for the 52 weeks ended 1 October 2022

| | Adjusted | | | | |
|---|---|---|---|---|---|
| **Continuing operations** | **Previously reported $m** | **Remove Armour $m** | **Research and development $m** | **Selling and distribution $m** | **Restated $m** |
| **Revenue** | 271.9 | (8.4) | – | – | 263.5 |
| Cost of sales | (192.1) | 18.5 | 8.8 | (9.8) | (174.6) |
| **Gross profit** | 79.8 | 10.1 | 8.8 | (9.8) | 88.9 |
| Selling and distribution costs / Sales and marketing expenses | (26.0) | 1.2 | – | 9.8 | (15.0) |
| Research and development costs | – | – | (8.8) | – | (8.8) |
| General and administrative expenses | (43.7) | 2.0 | – | – | (41.7) |
| **Operating profit** | 10.1 | 13.3 | – | – | 23.4 |
| Net finance costs | (4.0) | 0.3 | – | – | (3.7) |
| **Profit before tax** | 6.1 | 13.6 | – | – | 19.7 |

| | Adjustments | | | |
|---|---|---|---|---|
| **Continuing operations** | **Previously reported $m** | **Remove Armour adjustments $m** | **Research and development $m** | **Restated $m** |
| **Revenue** | – | – | – | – |
| Cost of sales | (1.6) | 1.6 | – | – |
| **Gross profit** | (1.6) | 1.6 | – | – |
| Selling and distribution costs / Sales and marketing expenses | – | – | – | – |
| Research and development costs | – | – | (1.4) | (1.4) |
| General and administrative expenses | (10.6) | (1.8) | 1.4 | (11.0) |
| **Operating (loss)/profit** | (12.2) | (0.2) | – | (12.4) |
| Net finance costs | (2.4) | 1.1 | – | (1.3) |
| **Profit before tax** | (14.6) | 0.9 | – | (13.7) |

# FINANCIAL STATEMENTS

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**“**

**OUR GROUP WILL BE MORE ALIGNED THAN EVER BEFORE, UNITED IN OUR GOAL TO PROTECT LIVES AND PROVIDE UNPARALLELED SUPPORT TO THOSE WHO PROTECT US, ALL OF WHICH IS UNDERPINNED BY OUR STAR STRATEGY.**

# 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 52 weeks ended 30 September 2023 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 2023 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with U.K.-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with U.K. accounting standards including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

We were first appointed as auditor by the shareholders on 1 February 2019 The period of total uninterrupted engagement is for the 5 financial periods ended 30 September 2023. 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 | \$2.05m (2022. \$1.8m)<br>0.84% (2022: 0.66%) of revenue from continuing operations | |
| **Coverage** | 100% (2022: 100%) of revenue from continuing operations | |
| **Key audit matters** | **2023 vs 2022** | |
| **New risks** | Goodwill impairment – Head Protection | **NEW** |
| **Recurring risks** | Recoverability of capitalised development expenditure | ↓ |
| **Parent Company** | Recoverability of Parent Company's investment in subsidiaries | → |

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

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

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

| | The risk | Our response |
|---|---|---|
| **Goodwill Impairment – Head Protection**<br>Head Protection Goodwill of $62.9 million.<br><br>Impairment charges of $23.4 million.<br><br>Refer to page 83 (Audit Committee Report), pages 135 and 137 (accounting policy) and pages 145, and 146 (financial disclosures) | **Forecast-based assessment:**<br>• Goodwill is significant and at risk of irrecoverability due to the level of revenue and margin growth required to support the carrying amount allocated to Head Protection segment, which has been tested at this level for the first time this period following the Group's restructure of its operating segments.<br>• The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.<br>• The effect of these matters is that, as part of our risk assessment, we determined that the value in use of goodwill in respect of the Head Protection CGU 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 146) disclose the sensitivity estimated by the Group. | Our procedures included:<br>• **Historical comparison:** We assessed the accuracy of the Group's forecasting by comparing actual cash flows in the period to the prior period forecasts<br>• **Our sector experience:** We evaluated the assumptions used, in particular those relating to forecast revenue growth, gross profit margins and long-term growth rate based on our knowledge of the Group<br>• **Benchmarking assumptions:** We compared the Group's assumptions to externally derived data in relation to key inputs such as revenue growth rates, long-term growth rate and discount rates, using our own valuation specialist<br>• **Comparing valuations:** We compared the sum of the discounted cash flows (including the respiratory and head protection segments) to the Group's market capitalisation to assess the reasonableness of the assumptions used<br>• **Assessing 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 goodwill, including an assessment of whether the degree of aggregation in the disclosure of key assumptions was materially acceptable.<br><br>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<br><br>**Our results**<br>• We found the Head Protection Goodwill balance and the related impairment charge to be acceptable. |

| | The risk | Our response |
|---|---|---|
| **Recoverability of capitalised development expenditure**<br>Included within capitalised development expenditure of $20.2 million (2022: $21.1 million)<br><br>Impairment charges of $0.2 million (2022: $2.0 million).<br><br>*Risk vs 2022:* ↓<br><br>Refer to page 83 (Audit Committee Report), pages 135 and 137 (accounting policy) and pages 145, 147, and 148 (financial disclosures) | **Subjective Estimate:**<br>• Within the capitalised development expenditure we identified a number of products with a higher degree of risk around recoverability, including those which have no prior track record of revenue and margin generation, have low headroom, and those awaiting regulatory approval.<br>• The estimated recoverable amount of these intangible assets is supported by forecasting and discounting future cash flows (based on assumptions such as discount rates and revenue growth rates), which are inherently highly judgemental. These uncertainties, combined with the quantum of the development costs balance for the higher risk products, means that the recoverable amount of these development costs is subject to significant estimation uncertainty<br>• 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. | Our procedures included:<br>• **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.<br>• For a risk-based selection of products our procedures included:<br>– **Our sector experience:** We challenged the detailed forecasts which support the estimated recoverable amount by reference to discussions with project managers on the likelihood and timing of when new products are expected to receive customer or regulatory clearance as compared to what was assumed in the forecasts and the size of the potential market<br>– **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.<br>– **Sensitivity analysis:** We performed sensitivity analysis to determine if reasonably possible changes in discount rates, product margins, and growth rates would result in additional impairments being recognised.<br>• **Assessing transparency:** We assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflect the risks inherent in the estimation of the recoverable amount of the development costs.<br><br>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.<br><br>**Our results**<br>• We found the development costs balance, and the related impairment charge to be acceptable (2022: We found the development costs balance, and the related impairment charge to be acceptable) |

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

| | The risk | Our response |
|---|---|---|
| **Recoverability of Parent Company's investments in subsidiaries**<br>(£212.7 million; 2022: £191.0 million)<br><br>Risk vs 2022: →<br><br>Refer to page 169 (accounting policy) and page 171 (financial disclosures). | **Low risk, high value**<br>The carrying amount of the Parent company's investments in subsidiaries represents 96.7% (2022: 95%) 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:<br>• **Tests of detail:** We compared 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.<br>• **Assessing subsidiary audits:** We assessed 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.<br><br>Where the net assets of a subsidiary were below the investment's carrying amount, our procedures also included:<br>• **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.<br><br>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.<br><br>**Our results**<br>• We found the company's conclusion that there is no impairment of its investments in subsidiaries to be acceptable (2022: acceptable). |

## 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 $2.05 million (2022: $1.8 million), determined with reference to a benchmark of revenue from continuing operations, of which it represents 0.84% (2022: 0.68% of revenue). We consider revenue from continuing operations to be the most appropriate benchmark as it better reflects the size of the business compared to the loss before tax.

Materiality for the Parent Company financial statements as a whole was set at £1.1 million (2022: £1.0 million), which is the component materiality for the Parent Company determined by the Group audit engagement team. This is lower than the materiality we would otherwise have determined with reference to a benchmark of Parent Company total assets, of which it represents 0.5% (2022: 0.5%).

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 75% (2022: 65%) of materiality for the Group financial statements as a whole, which equates to $1.8 million (2022: $1.17 million). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

Performance materiality was set at 75% (2022: 75%) of materiality for the Parent Company financial statements as a whole which equates to £0.825 million (2022: £0.75 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 $100,000 (2021: $90,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's eight (2022: eight) reporting components, we subjected five (2022: five) to full scope audits for Group purposes and one (2022: one) to specified risk-focused audit procedures over cash & cash equivalents (2022: cash & cash equivalents). The latter was not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed. The components within the scope of our work accounted for the percentages illustrated 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. The remaining 2% (2022: nil%) of total Group assets is represented by 1 (2022: nil) reporting component, none of which individually represented more than 2% (2022: nil%) of total Group assets.

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

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from $0.15 million to $1.55 million (2022: $0.15 million to $1.35 million), having regard to the mix of size and risk profile of the Group across the components. The work on one of the components (2022: one of the components) included procedures performed by component auditors and the rest, including the audit of the Parent Company, was performed solely by the Group team. The Group team visited five (2022: five) component locations in the U.K. and U.S., to assess the audit risk and strategy. Video and telephone conference meetings were also held with the component auditors during which the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

## 4 The impact of climate change on our audit

In planning our audit we have considered the potential impacts of climate change on the Group's business and its financial statements.

With the support of our climate professionals we performed a risk assessment of the impact of climate change on the financial statements and our audit approach.

*Climate change impacts the Group in a variety of ways including the* impact of climate risk on manufacturing and procurement, potential reputational risk associated with the Group's delivery of its climate related initiatives, and greater emphasis on climate related narrative and disclosure in the Annual Report.

The Group's exposure to climate change is primarily through the acquisition of materials in its supply chain and increased costs in relation to manufacturing end products. As part of our audit we have made enquiries of management to understand the extent of the potential impact of climate change risk on the Group's financial statements and the Group's preparedness for this.

**Revenue from continuing operations**
**$243.8m (2022: $263.5m Revenue)**

**Group Materiality**
**$2.05m (2022: $1.8m)**

**Total revenue**

**Revenue**
**$243.8m**

**Group materiality**

**$2.05m**
Whole financial statements materiality
(2022: $1.8m)

**$1.53m**
Whole financial statements performance materiality (2022: $1.?m)

**$1.8m**
Range of materiality at six components ($0.15m–$1.55m) (2022: $0.15m to $1.35m)

**$0.01m**
Misstatements reported to the Audit Committee
(2022: $0.09m)

**Group revenue from continuing operations**

100%
(2022: 100%*)

100
100

**Group loss (2022: profit) before tax**

8
10

100%
(2022: 100%*)

90
92

**Group total assets**

2
3

100%
(2022: 100%*)

97
98

Full scope for Group audit purposes 2023
*Specified risk-focused audit procedures 2023*
Full scope for Group audit purposes 2022
*Specified risk-focused audit procedures 2022*
Residual components

## 4 The impact of climate change on our audit continued

We have also read the Group's and the Parent Company's disclosure of climate related information in the front half of the Annual Report as set out on pages 50 to 56. On the basis of the procedures performed above, we concluded that the risk of climate change was not significant when we considered the nature of the assets and relevant contractual terms. As a result, there was no material impact from this on our key audit matters.

## 5 Going concern

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

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

- disruption to the Group's supply chain;
- inflationary pressures on the Group's cost base;
- competition in winning new bids; and
- 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 including re-financing of existing facilities, and the associated covenant requirements; and
- assessing 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 133 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 133 to be acceptable.
- The related statement under the Listing Rules set out on page 79 is materially consistent with the financial statements and our audit knowledge.

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

## 6 Fraud and breaches of laws and regulations – ability to detect

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

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

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

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group to the component audit team of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

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

We also identified a fraud risk related to goodwill impairment – Head Protection. Further detail in respect of goodwill impairment – Head Protection is set out in the key audit matter in section 2 of this report.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual or unexpected accounts.
- For a sample of revenue recognised pre period end date, assessing whether revenue had been recognised in the appropriate period by comparing to dispatch notes or terms of specific sale agreements.
- Assessing significant accounting estimates for bias.

## 6 Fraud and breaches of laws and regulations – ability to detect continued

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

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

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably. This included communication from the Group audit team to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

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

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

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

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

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

## 7 We have nothing to report on the other information in the Annual Report

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

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

### Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### Directors' Remuneration Report

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

### Disclosures of emerging and principal risks and longer-term viability

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

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

- the Directors' confirmation within the viability statement on page 79 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 79 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

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

## 7 We have nothing to report on the other information in the Annual Report continued

### 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.

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

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

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

## 8 We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

## 9 Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 110, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

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

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

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule ('DTR') 4.1.17R and 4.1.18R. This Auditor's Report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

## 10 The purpose of our audit work and to whom we owe our responsibilities

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

A Campbell

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

21 November 2023

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 52 WEEKS ENDED 30 SEPTEMBER 2023

| | Note | 52 weeks ended 30 September 2023 $m | 52 weeks ended 1 October 2022 (restated)[1] $m |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | 2.1 | 243.8 | 263.5 |
| Cost of sales | | (157.9) | (174.6) |
| **Gross profit** | | 85.9 | 88.9 |
| Sales and marketing expenses | | (14.9) | (15.0) |
| Research and development costs | | (10.2) | (10.2) |
| General and administrative expenses | | (73.4) | (52.7) |
| **Operating (loss)/profit** | 2.1 | (12.6) | 11.0 |
| Net finance costs | 5.2 | (7.6) | (5.0) |
| **(Loss)/profit before taxation** | 2.5 | (20.2) | 6.0 |
| Taxation | 2.6 | 3.8 | (0.3) |
| (Loss)/profit for the period from continuing operations | | (16.4) | 5.7 |
| **Discontinued operations** | | | |
| Profit/(loss) from discontinued operations | 2.2 | 2.0 | (13.3) |
| **(Loss)/profit for the period** | | (14.4) | (7.6) |
| **Other comprehensive (expense)/income** | | | |
| *Items that are not subsequently reclassified to the income statement* | | | |
| Remeasurement (loss)/gain recognised on retirement benefit scheme | 6.2 | (31.8) | 50.1 |
| Deferred tax relating to retirement benefit scheme | 2.6 | 6.9 | (9.6) |
| Deferred tax relating to change in tax rates | 2.6 | 1.1 | (3.4) |
| Deferred tax relating to other temporary differences | 2.6 | (0.2) | (0.1) |
| *Items that may be subsequently reclassified to the income statement* | | | |
| Deferred tax exchange differences offset in reserves | 2.6 | 0.8 | (2.7) |
| Other exchange differences offset in reserves | | (0.5) | 3.5 |
| Cash flow hedges | | 0.4 | 0.5 |
| Current tax relating to cash flow hedges | | – | (0.1) |
| **Other comprehensive (expense)/income for the period** | | (23.3) | 38.2 |
| **Total comprehensive (expense)/income for the period** | | (37.7) | 30.6 |
| **Earnings per share** | 2.3 | | |
| Basic | | (48.0c) | (25.1c) |
| Diluted | | (48.0c) | (24.9c) |
| **Earnings per share from continuing operations** | 2.3 | | |
| Basic | | (54.7c) | 18.8c |
| *Diluted* | | (54.7c) | 18.7c |

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect reclassification of research and development costs, reclassification of selling and distribution costs, and the discontinuation of the Armour business. These are disclosed in note 25.

## CONSOLIDATED BALANCE SHEET
## AT 30 SEPTEMBER 2023

| | Note | At 30 September 2023 $m | At 1 October 2022 $m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 3.1 | 139.2 | 171.0 |
| Property, plant and equipment | 3.2 | 35.8 | 39.9 |
| Finance leases | 3.3 | 6.2 | – |
| Deferred tax assets | 2.6 | 40.1 | 26.7 |
| Derivative financial instruments | 5.4 | 0.6 | 0.3 |
| | | 221.9 | 237.9 |
| **Current assets** | | | |
| Inventories | 4.1 | 54.4 | 65.6 |
| Trade and other receivables | 4.2 | 58.3 | 30.6 |
| Derivative financial instruments | 5.4 | 0.3 | 0.2 |
| Current tax receivables | | – | 4.2 |
| Cash and cash equivalents | 4.4 | 13.2 | 9.5 |
| | | 126.2 | 110.1 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Borrowings | 5.1 | 4.3 | 4.1 |
| Current tax payables | | 0.7 | – |
| Trade and other payables | 4.3 | 34.6 | 42.3 |
| Provisions for liabilities and charges | 7.1 | 0.4 | 0.7 |
| | | 40.0 | 47.1 |
| **Net current assets** | | 86.2 | 63.0 |
| **Non-current liabilities** | | | |
| Borrowings | 5.1 | 94.3 | 73.4 |
| Deferred tax liabilities | 2.6 | 6.2 | 5.8 |
| Retirement benefit obligations | 6.2 | 40.2 | 6.3 |
| Provisions for liabilities and charges | 7.1 | 8.0 | 4.9 |
| | | 148.7 | 90.4 |
| **Net assets** | | 159.4 | 210.5 |
| **Shareholders' equity** | | | |
| Ordinary shares | 5.5 | 50.3 | 50.3 |
| Share premium account | 5.5 | 54.3 | 54.3 |
| Other reserves | | (13.9) | (14.2) |
| Cash flow hedging reserve | | 0.8 | 0.4 |
| Retained earnings | | 67.9 | 119.7 |
| **Total equity** | | 159.4 | 210.5 |

These financial statements on pages 129 to 165 were approved by the Board of Directors on 21 November 2023 and signed on its behalf by:

| | |
|---|---|
| Chief Executive Officer | **Rich Cashin**<br>Chief Financial Officer |

The accompanying accounting policies and notes form part of these financial statements.

Company number 00032965

# CONSOLIDATED CASH FLOW STATEMENT FOR THE 52 WEEKS ENDED 30 SEPTEMBER 2023

| | Note | 52 weeks ended 30 September 2023 $m | 52 weeks ended 1 October 2022 (restated)[1] $m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash flows from continuing operations | 4.4 | 0.2 | 57.7 |
| Cash flows from discontinued operations | 4.4 | 3.2 | (24.2) |
| Cash flows from operations | 4.4 | 3.4 | 33.5 |
| Retirement benefit deficit recovery contributions | 6.2 | – | (8.5) |
| Tax received | | 3.7 | 3.7 |
| **Net cash flows from operating activities** | | 7.1 | 28.7 |
| **Cash flows used in investing activities** | | | |
| Proceeds from disposal of discontinued operations | 2.2 | 7.9 | – |
| *Costs of disposal* | 2.2 | (0.4) | – |
| Purchase of property, plant and equipment | 3.2 | (7.4) | (2.9) |
| Capitalised development costs and purchased software | 3.1 | (3.6) | (6.0) |
| Other finance income | 5.2 | 0.4 | – |
| Finance lease capital receipts | 3.3 | 0.5 | – |
| Investing cash flows used in discontinued operations | 7.1 | – | (3.2) |
| **Net cash flows used in investing activities** | | (2.6) | (12.1) |
| **Cash flows used in financing activities** | | | |
| Proceeds from loan drawdowns | 5.3 | 48.0 | 42.9 |
| Loan repayments | 5.3 | (24.0) | (30.1) |
| Finance costs paid in respect of bank loans and overdrafts | 5.2 | (6.3) | (2.7) |
| Finance costs paid in respect of leases | 5.2 | (0.7) | (0.7) |
| Repayment of lease liability | | (3.5) | (3.2) |
| Dividends paid to shareholders | 5.6 | (13.4) | (13.4) |
| Purchase of own shares – Share Buyback Programme | 5.5 | – | (12.4) |
| Financing cash flows used in discontinued operations | | (0.9) | (1.2) |
| **Net cash flows used in financing activities** | | (0.8) | (20.8) |
| Net increase/(decrease) in cash and cash equivalents | | 3.7 | (4.2) |
| Cash and cash equivalents at the beginning of the period | | 9.5 | 14.1 |
| Effects of exchange rate changes | | – | (0.4) |
| **Cash and cash equivalents at the end of the period** | 4.4 | 13.2 | 9.5 |

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 30 SEPTEMBER 2023

| | Note | Share capital $m | Share premium $m | Hedging reserve $m | Other reserves $m | Retained earnings $m | Total equity $m |
|---|---|---|---|---|---|---|---|
| **At 2 October 2021** | | 50.3 | 54.3 | – | (15.0) | 115.8 | 205.4 |
| Loss for the period | | – | – | – | – | (7.6) | (7.6) |
| Net exchange differences offset in reserves | | – | – | – | 0.8 | – | 0.8 |
| Deferred tax relating to other temporary differences | 2.6 | – | – | – | – | (0.1) | (0.1) |
| Remeasurement gain recognised on retirement benefit scheme | 6.2 | – | – | – | – | 50.1 | 50.1 |
| Deferred tax relating to change in tax rates | 2.6 | – | – | – | – | (3.4) | (3.4) |
| Deferred tax relating to retirement benefit scheme | 2.6 | – | – | – | – | (9.6) | (9.6) |
| Interest rate swaps – cash flow hedge | 5.4 | – | – | 0.5 | – | – | 0.5 |
| Current tax on interest rate swaps – cash flow hedge | 2.6 | – | – | (0.1) | – | – | (0.1) |
| Total comprehensive income for the period | | – | – | 0.4 | 0.8 | 29.4 | 30.6 |
| Dividends paid | 5.6 | – | – | – | – | (13.4) | (13.4) |
| Own shares acquired | 5.5 | – | – | – | – | (12.4) | (12.4) |
| Fair value of share-based payments | 6.3 | – | – | – | – | 1.0 | 1.0 |
| Deferred tax relating to employee share schemes charged directly to equity | 2.6 | – | – | – | – | (0.7) | (0.7) |
| At 1 October 2022 | | 50.3 | 54.3 | 0.4 | (14.2) | 119.7 | 210.5 |
| Loss for the period | | – | – | – | – | **(14.4)** | **(14.4)** |
| Net exchange differences offset in reserves | | – | – | – | **0.3** | – | **0.3** |
| Deferred tax relating to other temporary differences | **2.6** | – | – | – | – | **(0.2)** | **(0.2)** |
| Remeasurement loss recognised on retirement benefit scheme | **6.2** | – | – | – | – | **(31.8)** | **(31.8)** |
| Deferred tax relating to retirement benefit scheme | **2.6** | – | – | – | – | **6.9** | **6.9** |
| Deferred tax relating to change in tax rates | **2.6** | – | – | – | – | **1.1** | **1.1** |
| Interest rate swaps – cash flow hedge | **5.4** | – | – | **0.4** | – | – | **0.4** |
| Total comprehensive income for the period | | – | – | **0.4** | **0.3** | **(38.4)** | **(37.7)** |
| Dividends paid | **5.6** | – | – | – | – | **(13.4)** | **(13.4)** |
| Fair value of share-based payments | **6.3** | – | – | – | – | **0.7** | **0.7** |
| Deferred tax relating to employee share schemes charged directly to equity | **2.6** | – | – | – | – | **(0.7)** | **(0.7)** |
| **At 30 September 2023** | | **50.3** | **54.3** | **0.8** | **(13.9)** | **67.9** | **159.4** |

Other reserves consist of the capital redemption reserve of $0.6 million (2022 $0.6 million) and the translation reserve of $(14.5) million (2022: $(14.8) million).

All movements in other reserves relate to the translation reserve.

# ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS FOR THE 52 WEEKS ENDED 30 SEPTEMBER 2023

## Section 1 – Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### Basis of preparation

Avon Protection plc is a public limited company incorporated and domiciled in England and Wales and its ordinary shares are traded on the London Stock Exchange.

The financial period presents the 52 weeks ended 30 September 2023 (prior financial period 52 weeks ended 1 October 2022).

The financial statements have been prepared in accordance with U.K. adopted International Accounting Standards. The financial statements have been prepared under the historical cost convention except for derivative instruments which are held at fair value through profit or loss.

### Going concern

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

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

As part of their assessment, the Directors considered a base case and a severe downside scenario involving a 21% decline in bank-determined adjusted EBITDA against the base case. The base case is the Group's 2024 budget. The severe downside scenario incorporates the cumulative risk-adjusted impact of individual risks identified to the Group's 2024 budget, whilst excluding all individual opportunities. The severe downside scenario also excludes mitigating actions the Directors could take to reduce future cash outflows or expenses. The risks align with the Group's principal risks and uncertainties and relate primarily to possible loss of bids and contracts or lower than anticipated volumes of secured work.

Even in the 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 loan covenants, throughout the forecast period. The Group has committed RCF facilities of $142 million covering the 12 month going concern period, maturing on 8 September 2025. Additional committed RCF facilities of $58 million are also available until 8 September 2024. At 30 September 2023 $77.7 million of the RCF facility was drawn (2022: $53.7 million)

RCF loan covenants measured on a bi-annual basis include a maximum limit of 3.0 times for the ratio of net debt, excluding lease liabilities, to bank-determined adjusted EBITDA (leverage), and a minimum limit of 4.0 times for the ratio of bank-determined adjusted EBITDA to interest payable on bank loans and overdrafts. At 30 September 2023 leverage was 1.94 times (2022: 1.99 times). Bank-determined adjusted EBITDA is calculated on a pre-IFRS 16 leases basis, and excludes certain non-cash items.

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

### 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.

### Revision to IFRS not applicable in 2023

Standards and interpretations issued by the IASB are only applicable if endorsed by the U.K. The Group does not consider that any of the below standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a material impact on the consolidated financial statements. Effective dates are for annual periods beginning on or after the dates stated.

- IFRS 17 Insurance Contracts (effective 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements:
  - Classification of liabilities as current or non-current with covenants (effective 1 January 2024)
  - Making materiality judgements and disclosure of material accounting policies (effective 1 January 2023)
- Amendments to IFRS 16 Leases, lease liability in sale and leaseback (effective 1 January 2024)
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, helps distinguish between accounting estimates and accounting policies (effective 1 January 2023)
- Amendments to IAS 12 Income Taxes:
  - Deferred tax related to assets and liabilities arising from a single transaction (effective 1 January 2023)
  - International Tax Reform – Pillar Two Model Rules (effective 23 May 2023)
- Amendments to IAS 7 Statement of cash flows and IFRS 7 Financial Instruments, supplier finance arrangements (effective 1 January 2024)
- Amendments to IAS 21 Effects of changes in foreign currency, lack of exchangeability (effective 1 January 2025)

### Foreign currencies

The results and financial position of all subsidiaries and associates that have a functional currency different from U.S. dollars are translated into U.S. dollars as follows:

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

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

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

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

### Business combinations

Business combinations are accounted for using the acquisition accounting method. Identifiable assets and liabilities acquired are measured at fair value at acquisition date. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. Unwinding of discount on contingent consideration is included within finance costs. Changes to the fair value arising from changes in the contingent element, for example, expected cash to be paid, or timing of when payments will be made, are included in general and administrative expenses.

## Revenue

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. The Group acts as a principal in all sales of goods and services.

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

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

### Sale of goods – point in time

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

### Sale of goods – over time

The Group has determined that for certain made-to-order military contracts performance obligations are satisfied over time, depicting the transfer of goods to the customer.

This is because under those contracts products are made to a customer's specification with no alternative use and if a contract is terminated by the customer, then the Group is entitled to reimbursement of costs incurred to date plus a reasonable profit margin.

A single method of measuring progress is selected for each related performance obligation and applied consistently, with an output based method used to measure progress based on units certified by the end customer as a proportion of total units.

### 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.

## Segment reporting

Segments are identified based on how management monitors the business. An operating segment is a component of an entity:

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

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

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

The Group Executive team, being the Chief Operating Decision Maker, assesses the performance of operating segments based on adjusted measures of EBITDA, operating profit, net finance costs, taxation and earnings per share, as well as other measures not defined under IFRS including orders received, closing order book, EBITDA margin, operating profit margin, return on invested capital, net debt excluding lease liabilities, average working capital turns, and constant currency equivalents for relevant metrics. Further details on these measures can be found in the Adjusted Performance Measures section.

In the prior period the Group had two continuing operating and reportable segments, Respiratory and Head Protection, and Armour. The Armour business was formally closed in the second half of the 2023 financial period and has therefore been reclassified as a discontinued operation, with comparatives restated accordingly.

The continuing business has implemented a new model splitting operations into two operating and reportable segments, Respiratory Protection and Head Protection. These have responsibility and empowerment to deliver their own specific strategic objectives, with resourcing, internal performance management and CODM reporting structures fully in place.

## 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 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.

## Intangible assets

### Goodwill

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

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

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

Goodwill is tested for impairment at least annually or whenever there is an indication that the asset may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Any impairment is recognised immediately in the Consolidated Statement of Comprehensive Income. Subsequent reversals of impairment losses for goodwill are not recognised.

### Development expenditure

Expenditure in respect of product development is capitalised where a positive outcome is assessed as being reasonably certain, taking account of commercial viability and technical feasibility. Subsequently capitalised costs are amortised over the expected useful life of the related products (typically between five and ten years), representing the estimated period of sales. Amortisation begins when a development project is substantively complete and the related product is available for sale. Expenditure that does not meet these criteria is expensed as incurred. Development costs capitalised are tested for impairment annually or whenever there is an indication that the asset may be impaired. Any impairment is recognised immediately in the Consolidated Statement of Comprehensive Income.

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

External customer contributions to development projects are net with underlying expenses.

### Computer software

Computer software comprises costs that are directly associated with the production of identifiable software products controlled by the Group, and are probable of producing future economic benefits. Capitalised costs include employee costs and directly attributable overheads. Costs associated with maintaining software programs are recognised as an expense when they are incurred. Amortisation is charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the estimated useful life from the date the software is available for use, generally between three and ten years.

### Other intangible assets

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

- brands and trademarks – four to fifteen years;
- customer relationships – three to fourteen years, and
- technology and licence agreements – two to ten years

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

## Property, plant and equipment

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

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

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

In general, the lives used are:

- freehold – forty years;
- Leasehold property – over the period of the lease; and
- plant and machinery:
  - computer hardware – three years,
  - presses – fifteen years, and
  - other plant and machinery – five to ten years.

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 where required. Subsequently the right of use assets are measured at cost less accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

Depreciation is calculated on a straight-line basis over the life of the lease.

The lease liability is initially measured at the present value of the lease payments due over the life of the lease. 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 management has considered the 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.

## 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.

## Finance leases

The Group acts as an intermediate lessor for certain legacy commercial premises where they are no longer required for operations, and accounts for its interests in corresponding head leases and subleases separately.

Lease classification of the sublease between finance and operating is assessed with reference to the right of use asset arising from the head lease.

Following the sublet of additional properties in the period, finance lease assets have been transferred from right of use assets to a specific finance lease balance sheet classification as they are now considered collectively material.

Finance lease assets are initially measured at the present value of the lease receipts due over the life of the lease. Receipts are discounted at the rate implicit in the sublease, or the corresponding head lease liability if the implicit rate cannot be readily determined.

## Inventories

Inventories are stated at the lower of cost, including all relevant overhead expenditure, and net realisable value. Inventory cost is valued using the most appropriate method based on the business use of inventory. In the majority of cases this is standard cost. 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.

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

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

### Derivative financial instruments and hedging

The Group classifies outstanding forward exchange contracts, interest rate swaps and corresponding hedged items as cash flow hedges and states them at fair value through the Consolidated Statement of Comprehensive Income. Any ineffective portion of the hedge is recognised immediately in the income statement.

### 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.

## 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 can be 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.

Restructuring provisions are recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

## Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently stated at amortised cost. Borrowing costs are expensed using the effective interest method

## Taxation

Income tax on the profit or loss for the period comprises current and deferred tax.

Taxable profit differs from accounting profit because it excludes certain items of income and expense that are recognised in the financial statements but are treated differently for tax purposes. Current tax is the amount of tax expected to be payable or receivable on the taxable profit or loss for the current period. This amount is then amended for any adjustments in respect of prior periods.

Current tax is calculated using tax rates that have been written into law ('enacted') or irrevocably announced/committed by the respective government ('substantively enacted') at the period end date. Current tax receivable (assets) and payable (liabilities) are offset only when there is a legal right to settle them net and the entity intends to do so. This is generally true when the taxes are levied by the same tax authority.

Because of the differences between accounting and taxable profits and losses reported in each period, temporary differences arise on the amount certain assets and liabilities are carried at for accounting purposes and their respective tax values. Deferred tax is the amount of tax payable or recoverable on these temporary differences.

Deferred tax liabilities arise where the carrying amount of an asset is higher than the tax value (more tax deduction has been taken). This can happen where the Group invests in capital assets, as governments often encourage investment by allowing tax depreciation to be recognised faster than accounting depreciation. This reduces the tax value of the asset relative to its accounting carrying amount. Deferred tax liabilities are generally provided on all taxable temporary differences. The periods over which such temporary differences reverse will vary depending on the life of the related asset or liability

Deferred tax assets arise where the carrying amount of an asset is lower than the tax value. This can happen where the Group has trading losses, which cannot be offset in the current period but can be carried forward. Deferred tax assets are recognised only where the Group considers it probable that it will be able to use such losses by offsetting them against future taxable profits.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

## **Taxation** continued

Taxable temporary differences can also arise on investments in foreign subsidiaries and associates, and interests in joint ventures. Where the Group is able to control the reversal of these differences and it is probable that these will not reverse in the foreseeable future, then no deferred tax is provided. Deferred tax is calculated using the enacted or substantively enacted rates that are expected to apply when the asset is realised or the liability is settled. Similarly to current taxes, deferred tax assets and liabilities are offset only when there is a legal right to settle them net and the entity intends to do so. This normally requires both assets and liabilities to have arisen in the same country.

Income tax expense reported in the financial statements comprises current tax as well as the effects of changes in deferred tax assets and liabilities. Tax expense/credits are generally recognised in the same place as the items to which they relate. For example, the tax associated with a gain on disposal is recognised in the income statement, in line with the gain on disposal. Equally, the tax associated with pension obligation actuarial gains and losses is recognised in other comprehensive income, in line with the actuarial gains and losses.

## Dividends

Final dividends are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by shareholders, while interim dividends are recognised in the period in which the dividends are paid

## Share capital

Ordinary shares are classified as equity

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

## Consideration of climate change

In preparing the financial statements, the Directors have considered the impact of climate change, particularly in context of the risks and opportunities identified in the TCFD disclosures. There has been no material impact identified on the financial reporting judgements and estimates. In particular, the Directors considered the impact of climate change in respect of the following areas.

- going concern and viability of the Group; and
- cash flow forecasts used in the impairment assessments of non-current assets including goodwill and development costs.

## 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.

### Goodwill – impairment

Goodwill is tested for impairment at least annually or whenever there is an indication that the asset may be impaired. Goodwill is allocated to CGUs for the purpose of impairment testing.

Discounted cash flow projections and related assumptions for impairment testing of goodwill and related CGU asset groupings are a significant estimate that could result in future material adjustments to asset carrying amounts. Sensitivities are provided in note 3.1.

### Development costs – capitalisation and impairment

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 charged to the income statement.

Intangible assets are tested for impairment by grouping development assets into the smallest identifiable group of assets generating future cash flows largely independent from other assets. Included in these CGUs are development expenditure, tangible assets related to the product group, inventory related to the product group and acquired intangibles where associated with the development project

Inventory related to the product group represents working capital included in the carrying value of the CGU. Inventory is not tested for impairment alongside intangible assets and is considered in line with the inventory policy, whereby it is stated at the lower of cost and net realisable value.

Discounted cash flow projections and related assumptions for impairment testing of CGU asset groupings are a significant estimate that could result in future material adjustments to asset carrying amounts. Sensitivities are provided in note 3.1.

### Estimating the defined benefit pension scheme assets and obligations

Measurement of defined benefit pension obligations requires estimation of future changes in inflation and mortality rates, and the selection of a suitable discount rate.

The investments held by the pension scheme include both quoted and unquoted securities, the latter of which by their nature involve assumptions and estimates to determine their fair value. Where there is not an active market for the unquoted securities the fair value of these assets is estimated by the pension trustees based on advice received from the investment manager whilst also using any available market evidence of any recent transactions for an identical asset. The assumptions used in valuing unquoted investments are affected by current market conditions and trends which could result in changes in fair value after the measurement date. Sensitivities are provided in note 6.2.

## NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 30 SEPTEMBER 2023

### Section 2 – Results for the period

This section contains disclosures explaining the Group's results for the period, segmental information, earnings per share and taxation, and details of discontinued operations.

### 2.1 Operating segments

The Group Executive team is responsible for allocating resources and assessing performance of the operating segments. Operating segments are therefore reported in a manner consistent with the internal reporting provided to the Group Executive team.

The Group has, following a reorganisation, two different continuing operating and reportable segments, these being Head Protection and Respiratory Protection. In the prior period the Group had two continuing operating and reportable segments, Respiratory and Head Protection, and Armour. The Armour business was formally closed in the second half of the 2023 financial period and has therefore been reclassified as into discontinued operations, with comparatives restated accordingly.

| | 52 weeks ended 30 September 2023 | | | | |
|---|---|---|---|---|---|
| | Respiratory Protection $m | Head Protection $m | Total $m | Adjustments and discontinued[1] $m | Total $m |
| Revenue | 156.9 | 86.9 | 243.8 | – | 243.8 |
| Adjusted EBITDA | 36.6 | (0.9) | 35.7 | (2.9) | 32.8 |
| Depreciation and amortisation | (7.3) | (7.2) | (14.5) | – | (14.5) |
| Impairment charges | – | – | – | (24.6) | (24.6) |
| Amortisation of acquired intangibles | – | – | – | (6.3) | (6.3) |
| Operating profit/(loss) | 29.3 | (8.1) | 21.2 | (33.8) | (12.6) |
| Finance costs | | | (7.2) | (0.4) | (7.6) |
| Profit/(loss) before taxation | | | 14.0 | (34.2) | (20.2) |
| Taxation | | | (1.9) | 5.7 | 3.8 |
| Profit/(loss) for the period from continuing operations | | | 12.1 | (28.5) | (16.4) |
| Discontinued operations – profit for the year | | | – | 2.0 | 2.0 |
| Profit/(loss) for the year | | | 12.1 | (26.5) | (14.4) |
| Basic earnings per share (cents) | | | 40.3c | (88.3c) | (48.0c) |
| Diluted earnings per share (cents) | | | 40.3c | (88.3c) | (48.0c) |

| | 52 weeks ended 1 October 2022 (restated)[2] | | | | |
|---|---|---|---|---|---|
| | Respiratory Protection $m | Head Protection $m | Total $m | Adjustments and discontinued[1] $m | Total $m |
| Revenue | 193.0 | 70.5 | 263.5 | – | 263.5 |
| Adjusted EBITDA | 42.4 | (3.6) | 38.8 | (1.6) | 37.2 |
| Depreciation and amortisation | (8.5) | (6.5) | (15.0) | – | (15.0) |
| Impairment charges | (0.4) | – | (0.4) | (4.0) | (4.4) |
| Amortisation of acquired intangibles | – | – | – | (6.8) | (6.8) |
| Operating profit/(loss) | 33.5 | (10.1) | 23.4 | (12.4) | 11.0 |
| Finance costs | | | (3.7) | (1.3) | (5.0) |
| Profit/(loss) before taxation | | | 19.7 | (13.7) | 6.0 |
| Taxation | | | (3.1) | 2.8 | (0.3) |
| Profit/(loss) for the period from continuing operations | | | 16.6 | (10.9) | 5.7 |
| Discontinued operations – loss for the year | | | – | (13.3) | (13.3) |
| (Loss)/profit for the year | | | 16.6 | (24.2) | (7.6) |
| Basic earnings per share (cents) | | | 54.7c | (79.8c) | (25.1c) |
| Diluted earnings per share (cents) | | | 54.4c | (79.3c) | (24.9c) |

1 Refer to Adjusted Performance Measures section for a full breakdown of adjusted measures, including a reconciliation between adjusted EBITDA and statutory operating profit by line item. The ($2.9) million on adjusted EBITDA is the $1.5 million transition costs and $1.4 million of restructuring costs (2022: $1.6 million of restructuring costs).

2 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business.

## Section 2 – Results for the period continued

### 2.1 Operating segments continued

Revenue analysed by geographic origin

| | 2023<br>$m | 2022<br>(restated)[1]<br>$m |
|---|---|---|
| Europe | 38.2 | 73.0 |
| U.S. | 205.6 | 190.5 |
| Total | 243.8 | 263.5 |

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business.

Revenue by line of business

| | 52 weeks ended 30 September 2023 | | | 52 weeks ended 1 October 2022 | | |
|---|---|---|---|---|---|---|
| | Respiratory Protection<br>$m | Head Protection<br>$m | Total<br>$m | Respiratory Protection<br>$m | Head Protection<br>$m | Total<br>$m |
| U.S. DOD | 67.1 | 42.5 | 109.6 | 63.2 | 35.5 | 98.7 |
| Commercial Americas | 30.5 | 27.0 | 57.5 | 40.5 | 25.2 | 65.7 |
| U.K. & International | 59.3 | 17.4 | 76.7 | 89.3 | 9.8 | 99.1 |
| | 156.9 | 86.9 | 243.8 | 193.0 | 70.5 | 263.5 |

U.S. DOD revenues, sold directly and through indirect channels, represent the only customer which individually contributes more than 10% to Group revenues.

Revenue by nature of performance obligation

| | 2023<br>$m | 2022<br>(restated)[1]<br>$m |
|---|---|---|
| Sale of goods – point in time recognition | 219.7 | 262.3 |
| Sale of goods – over time recognition | 20.4 | – |
| Provision of services – over time recognition | 3.7 | 1.2 |
| | 243.8 | 263.5 |

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business.

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

The Group has determined that for certain made-to-order military good contracts performance obligations are satisfied over time, depicting the transfer of goods to the customer. A single method of measuring progress is selected for each related performance obligation and applied consistently. In the current financial period over time recognition applied to a single contract, with an output-based method used to measure progress based on customer acceptance of product.

Revenue from provision of services is recognised over time as those services are provided.

## Section 2 – Results for the period continued

### 2.2 Discontinued operations

At 30 September 2023 all outstanding Armour orders have been delivered to customers, and Armour operations have fully closed. As such the Armour business has been classified as discontinued, including restatement of prior period comparatives. The closure of Armour included the sale of assets relating to the Lexington facility as further described in the gain on disposal section below.

In September 2020 the Group divested of the milkrite | InterPuls business, resulting in its classification as discontinued. As part of the divestment, the Group entered into a Manufacturing Service Agreement with the purchasers to provide manufacturing support, which was extended to 30 September 2023 during the period. As the activity under this agreement is not part of the continuing operations of the Group, related revenue and costs have been classified as discontinued operations.

| | Armour $m | milkrite \| InterPuls $m | 2023 $m | Armour $m | milkrite \| InterPuls $m | 2022 $m |
|---|---|---|---|---|---|---|
| Revenue | 30.5 | 6.2 | 36.7 | 8.4 | 3.2 | 11.6 |
| Cost of sales | (36.5) | (4.0) | (40.5) | (21.3) | (5.8) | (27.1) |
| Gross (loss)/profit | (6.0) | 2.2 | (3.8) | (12.9) | (2.6) | (15.5) |
| Research and development costs | – | – | – | (0.2) | – | (0.2) |
| General and administrative expenses | (2.8) | – | (2.8) | (3.9) | – | (3.9) |
| Release of contingent consideration[1] | – | – | – | 3.9 | – | 3.9 |
| Operating loss | (8.8) | 2.2 | (6.6) | (13.1) | (2.6) | (15.7) |
| Finance costs | (0.2) | – | (0.2) | (1.4) | – | (1.4) |
| (Loss)/profit before taxation | (9.0) | 2.2 | (6.8) | (14.5) | (2.6) | (17.1) |
| Taxation | 1.8 | (0.5) | 1.3 | 3.2 | 0.6 | 3.8 |
| (Loss)/profit from discontinued operations related to trading | (7.2) | 1.7 | (5.5) | (11.3) | (2.0) | (13.3) |
| Gain on disposal before tax | 9.1 | – | 9.1 | – | – | – |
| Tax on disposal | (1.6) | – | (1.6) | – | – | – |
| Gain on disposal after tax | 7.5 | – | 7.5 | – | – | – |
| Total profit/(loss) from discontinued operations | 0.3 | 1.7 | 2.0 | (11.3) | (2.0) | (13.3) |
| Basic earnings per share | 1.0c | 5.7c | 6.7c | (37.3c) | (6.6c) | (43.9c) |
| Diluted earnings per share | 1.0c | 5.7c | 6.7c | (37.0c) | (6.6c) | (43.6c) |

1 In 2022 revenue expectations from the DLA ESAPI body armour contract were reduced, resulting in a gain of $3.9 million on release of the net present value of contingent consideration payable

### Gain on disposal – Armour

In the second half of the financial period the Group completed the sale of Armour assets at the Lexington facility for cash consideration of $7.4 million. The sale agreement also included a sublease of the Lexington facility to the purchaser. The Group has retained its lease liabilities relating to the Lexington head lease. The Group also separately disposed of other Armour assets for cash consideration of $0.5 million.

The total gain on disposal relating to Armour operations is reconciled below:

| | 2023 $m |
|---|---|
| Cash consideration received – Lexington | 7.4 |
| Cash consideration received – other assets | 0.5 |
| Inventories disposed | (2.0) |
| Plant and machinery disposed | (0.5) |
| Finance lease adjustment | 4.1 |
| Transaction costs | (0.4) |
| Gain on disposal before tax | 9.1 |
| Tax on disposal | (1.6) |
| Gain on disposal after tax | 7.5 |

The finance lease adjustment recognises the present value of the finance lease receipts over the sublease term. The right of use lease asset for the Lexington site was previously impaired to $nil in the 2021 financial period. Cash consideration was fully paid in the current period.

## Section 2 – Results for the period continued

### 2.2 Discontinued operations continued

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

| | 2023<br>$m | 2022<br>(restated)[1]<br>$m |
|---|---|---|
| Cash flows from discontinued operating activities | 3.2 | (24.2) |
| Investing cash flows used in discontinued operations | – | (3.2) |
| Financing cash flows used in discontinued operations | (0.9) | (1.2) |
| Net cash flows from discontinued operations | 2.3 | (28.6) |

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business.

### 2.3 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding those held in the employee share ownership trust. The Company has dilutive potential ordinary shares in respect of the Performance Share Plan.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below. As the Group was loss making on a statutory basis in the prior period, basic and diluted earnings per share are equivalent.

| Weighted average number of shares | 2023 | 2022 |
|---|---|---|
| Weighted average number of ordinary shares in issue used in basic calculations ('000) | 29,996 | 30,308 |
| Potentially dilutive shares (weighted average) ('000) | 263 | 221 |
| Diluted number of ordinary shares (weighted average) ('000) | 30,259 | 30,529 |

| Earnings | 2023<br>$m | 2022<br>(restated)[1]<br>$m |
|---|---|---|
| Basic | (14.4) | (7.6) |
| Basic – continuing operations | (16.4) | 5.7 |
| Basic – discontinued operations | 2.0 | (13.3) |

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business.

| Earnings per share | 2023<br>$ cents | 2022<br>(restated)[1]<br>$ cents |
|---|---|---|
| Basic | (48.0c) | (25.1c) |
| Basic – continuing operations | (54.7c) | 18.8c |
| Basic – discontinued operations | 6.7c | (43.9c) |
| Diluted | (48.0c) | (24.9c) |
| Diluted – continuing operations | (54.7c) | 18.7c |
| Diluted – discontinued operations | 6.7c | (43.6c) |

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business.

## NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 30 SEPTEMBER 2023 CONTINUED

### Section 2 – Results for the period continued

### 2.4 Expenses by nature

| Continuing operations | 2023 $m | 2022 (restated)[2] $m |
|---|---|---|
| Employee and other staff costs[1] | 75.6 | 77.0 |
| Legal and professional fees | 9.1 | 9.6 |
| Depreciation and amortisation charges (notes 3.1 and 3.2) | 20.8 | 21.8 |
| Impairment charges – non-current assets | 24.6 | 4.6 |
| Foreign exchange (gains)/losses | (1.0) | 0.3 |
| Transportation expenses | 5.2 | 8.6 |
| Material costs | 84.1 | 101.4 |
| Restructuring costs (excluding restructuring-related impairments) | 1.4 | 1.6 |
| Transition costs | 1.5 | – |
| Other expenses | 35.1 | 27.6 |
| Total cost of sales, selling and marketing expenses, research and development costs and general and administrative expenses | 256.4 | 252.5 |

1 Employee costs disclosed in note 2.4 are presented on a continuing basis for staff-related costs expensed to the Consolidated Statement of Comprehensive Income. They do not therefore reconcile to note 6.1 which includes discontinued costs.

2 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business.

### 2.5 (Loss)/profit before taxation

| (Loss)/profit before taxation is shown after charging/(crediting): | 2023 $m | 2022 (restated)[1] $m |
|---|---|---|
| Loss on disposal of property, plant and equipment (excluding assets related to Armour disposal, note 2.2) | 0.3 | – |
| Repairs and maintenance of property, plant and equipment | 4.0 | 3.5 |
| Impairment of trade receivables (note 5.4) | – | 0.1 |

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business.

| Services provided to the Group (including its overseas subsidiaries) by the Company's auditor: | 2023 $m | 2022 $m |
|---|---|---|
| Audit fees in respect of the audit of the accounts of the Group including subsidiaries | 0.9 | 1.0 |
| Audit fees in respect of the audit of the accounts of the Parent Company | 0.2 | 0.2 |
| Total audit fees | 1.1 | 1.2 |

### 2.6 Taxation

| | 2023 $m | 2022 (restated)[1] $m |
|---|---|---|
| U.K. current tax | 1.1 | 0.7 |
| U.K. adjustment in respect of previous periods | 0.6 | (0.6) |
| Overseas current tax | (0.4) | 3.3 |
| Overseas adjustment in respect of previous periods | – | 0.1 |
| Total current tax charge/(credit) | 1.3 | 3.5 |
| Deferred tax – current period | (4.4) | (4.1) |
| Deferred tax – adjustment in respect of previous periods | (0.7) | 0.9 |
| Total deferred tax charge | (5.1) | (3.2) |
| Total tax credit | (3.8) | 0.3 |

The overseas current tax credit of $0.4 million (2022: charge of $3.3 million) includes a $0.3 million credit in connection with the resolution of a number of prior period uncertain tax positions (2022: $0.3 million).

The above table excludes tax on discontinued operations (including disposals) which amounted to a charge of $0.3 million in the current period (2022: credit of $3.8 million).

## **Section 2 – Results for the period** continued

### **2.6 Taxation** continued

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:

The standard rate of corporation tax in the U.K. increased from 19% to 25% from 1 April 2023. The average rate of UK tax for this period is therefore 22%.

| | **2023 $m** | **2022 (restated)[1] $m** |
|---|---|---|
| (Loss)/profit before taxation | (20.2) | 6.0 |
| Taxation at the average standard rate of 22.0% (2022: 19.0%) | (4.4) | 1.2 |
| Tax allowances (U.K. and U.S.) | – | (0.[illegible]) |
| Non-deductible expenses | 0.4 | 0.2 |
| Changes in tax rates | – | (0.8) |
| Differences in overseas tax rates | 0.3 | (0.3) |
| Adjustment in respect of previous periods | (0.1) | 0.4 |
| Total tax credit | (3.8) | 0.3 |

The deferred tax credited directly to other comprehensive income during the period was $8.8 million (2022: credit of $15.7 million). The deferred tax charged directly to equity during the period was $0.7 million (2022: $0.7 million).

### Deferred tax liabilities

| | **Accelerated capital allowances $m** | **Total $m** |
|---|---|---|
| At 2 October 2021 | 6.1 | 6.1 |
| Charged to profit for the period | (0.3) | (0.3) |
| **At 1 October 2022** | 5.8 | 5.8 |
| Credited to profit for the period | 0.4 | 0.4 |
| **At 30 September 2023** | 6.2 | 6.2 |

The closing U.K. deferred tax assets and liabilities have all been calculated using the 25% tax rate now in force.

## Section 2 – Results for the period continued

### 2.6 Taxation continued

### Deferred tax assets

Deferred tax assets have been recognised in respect of temporary differences giving rise to deferred tax assets where it is probable that these assets will be recovered.

| | Retirement benefit obligation $m | Share options $m | Tax losses $m | Pension spreading $m | Intangibles $m | Right of use assets $m | Interest $m | Other temporary differences $m | Total $m |
|---|---|---|---|---|---|---|---|---|---|
| **At 2 October 2021** | 17.1 | 1.3 | 5.1 | 2.8 | 7.5 | 3.4 | – | 3.0 | 40.2 |
| (Charged)/credited against profit for the period | (1.2) | 0.2 | 1.9 | (0.4) | (1.6) | (0.2) | 1.8 | 2.6 | 3.1 |
| Impact of change in tax rates credited to profit for the period | – | – | – | (0.2) | – | – | – | – | (0.2) |
| Charged to other comprehensive income | (9.6) | – | – | – | – | – | – | – | (9.6) |
| Impact of change in tax rates credited to other comprehensive income | (3.4) | – | – | – | – | – | – | – | (3.4) |
| Exchange differences offset in reserves | (1.3) | (0.2) | (0.6) | (0.1) | – | – | – | (0.5) | (2.7) |
| Charged to equity | – | (0.7) | – | – | – | – | – | – | (0.7) |
| **At 1 October 2022** | 1.6 | 0.6 | 6.4 | 2.1 | 5.9 | 3.2 | 1.8 | 5.1 | 26.7 |
| Credited/(charged) against profit for the period | 0.3 | 0.2 | 0.4 | (1.4) | 2.3 | (0.3) | 3.9 | (0.1) | 5.3 |
| Credited to other comprehensive income | 6.9 | – | – | – | – | – | – | – | 6.9 |
| Impact of change in tax rates credited to other comprehensive income | 1.1 | – | – | – | – | – | – | – | 1.1 |
| Exchange differences offset in reserves | 0.2 | 0.1 | 0.1 | – | – | – | – | 0.4 | 0.8 |
| Charged to equity | – | (0.7) | – | – | – | – | – | – | (0.7) |
| **At 30 September 2023** | 10.1 | 0.2 | 6.9 | 0.7 | 8.2 | 2.9 | 5.7 | 5.4 | 40.1 |

The Group has unrecognised deferred tax assets of $4.2 million (2022: $3.8 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 $16.9 million and has no expiry date.

Recognition of deferred tax assets in the current period is in the context of improved expected performance of the Group. Under the new STAR strategy a sustained return to profitability is expected which will enable accumulated tax losses and other temporary differences to be utilised. In FY24 this will be driven by a strong expected recovery in Head Protection, with growing commercial helmet sales, a full year of NG IHPS, ramp up of ACH GEN II deliveries and efficiency improvements increasing both overall profitability and profit margins. A significant portion of losses in the current and prior period are also a result of the wind down of the Armour business and are therefore not expected to recur with the Armour business being discontinued in the current period.

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

$4.7 million (2022: $2.8 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.

## Section 3 – Non-current assets

### 3.1 Intangible assets

| | Goodwill $m | Acquired intangibles $m | Development expenditure $m | Computer software $m | Total $m |
|---|---|---|---|---|---|
| **At 2 October 2021** | | | | | |
| Cost | 88.8 | 98.2 | 64.6 | 15.1 | 266.7 |
| Accumulated amortisation and impairment | – | (39.3) | (41.4) | (5.0) | (85.7) |
| **Net book amount** | 88.8 | 58.9 | 23.2 | 10.1 | 181.0 |
| **52 weeks ended 1 October 2022** | | | | | |
| Opening net book amount | 88.8 | 58.9 | 23.2 | 10.1 | 181.0 |
| Exchange differences | (0.1) | – | (1.2) | – | (1.3) |
| Additions | – | – | 5.8 | 0.2 | 6.0 |
| Impairments | – | – | (2.0) | – | (2.0) |
| Amortisation | – | (6.8) | (4.7) | (1.2) | (12.7) |
| **Closing net book amount** | 88.7 | 52.1 | 21.1 | 9.1 | 171.0 |
| **At 1 October 2022** | | | | | |
| Cost | 88.7 | 98.2 | 69.2 | 15.3 | 271.4 |
| Accumulated amortisation and impairment | – | (46.1) | (48.1) | (6.2) | (100.4) |
| **Net book amount** | 88.7 | 52.1 | 21.1 | 9.1 | 171.0 |
| **52 weeks ended 30 September 2023** | | | | | |
| Opening net book amount | **88.7** | **52.1** | **21.1** | **9.1** | **171.0** |
| Exchange differences | **0.1** | – | **0.3** | – | **0.4** |
| Additions | – | – | **3.1** | **0.5** | **3.6** |
| Impairments | **(23.4)** | – | **(0.2)** | **(0.6)** | **(24.2)** |
| Amortisation | – | **(6.3)** | **(4.1)** | **(1.2)** | **(11.6)** |
| **Closing net book amount** | **65.4** | **45.8** | **20.2** | **7.8** | **139.2** |
| **At 30 September 2023** | | | | | |
| Cost | **88.8** | **98.2** | **69.5** | **15.0** | **271.5** |
| Accumulated amortisation and impairment | **(23.4)** | **(52.4)** | **(49.3)** | **(7.2)** | **(132.3)** |
| **Net book amount** | **65.4** | **45.8** | **20.2** | **7.8** | **139.2** |

The remaining useful economic life of the development expenditure is up to ten years.

### Impairment review of goodwill

Goodwill is tested for impairment annually and whenever there is an indication of impairment at the level of the CGU to which it is allocated.

In line with the change in operating segments set out in note 2.1, goodwill has been allocated to Head Protection and Respiratory Protection CGUs. Head Protection includes goodwill from the Ceradyne and Team Wendy acquisitions, which are now part of a fully integrated business segment. Respiratory goodwill is related to three legacy acquisitions that completed in 2016 and earlier financial periods.

Goodwill has been allocated to CGUs on the basis of historic acquisitions, which provides a more accurate basis than allocating by relative value given each of the acquisitions related fully to Head Protection or Respiratory products individually.

| **2023 allocation of goodwill by CGU** | Cost $m | Impairment $m | Net book amount $m |
|---|---|---|---|
| Respiratory Protection | **2.5** | – | **2.5** |
| Head Protection | **86.3** | **(23.4)** | **62.9** |
| **Total goodwill** | **88.8** | **(23.4)** | **65.4** |

In the prior period goodwill was entirely allocated to the previous single operating segment and CGU, Respiratory and Head Protection.

## Section 3 – Non-current assets continued

### 3.1 Intangible assets continued

### Impairment review of goodwill continued

The total carrying value of each CGU is tested for impairment against corresponding recoverable amounts. CGU carrying values include associated goodwill, other intangible assets and property, plant and equipment, and attributable working capital.

The recoverable amount of the CGUs has been determined based on value in use calculations, using discounted cash flow projections for a five-year period plus a terminal value based upon a long-term perpetuity growth rate of 1.5% (2022: 2.0%). The growth rate was selected as specifically appropriate for the Head Protection review considered further below. Any reasonable adjustment to the growth rate that could be made for the Respiratory protection review would still leave substantial headroom.

Value in use calculations are based on the Group's Board approved five-year plan which has been adjusted to exclude the impact of capital expenditure considered expansionary and certain linked earnings and cash flows. Excluded expansionary items relate to new helmet programmes which, although specifically identified and planned, have yet to incur significant capital expenditure. Central costs in the five-year plan are allocated to Respiratory Protection and Head Protection CGUs based on an average of relative net assets, payroll costs and revenues. Central costs include Board, Finance, IT, HR, Legal and Communications, where these are not directly attributable to an individual CGU.

It is considered appropriate to extrapolate cash flows into perpetuity as the fifth year represents a reasonable estimate of steady state business operations, excluding expansionary items. Long-term growth has been adjusted to a slightly lower level this year, accounting for the risk of slower incremental progress once the significant opportunities in the five-year plan have been delivered without further expansionary expenditure. The post-tax discount rates applied were 10.4% (Respiratory Protection) and 10.9% (Head Protection) (2022: 9.9%, sole Respiratory and Head Protection CGU). Equivalent pre-tax rates were 14.2% and 14.9% (2022: 14.3%). Post-tax discount rates were derived by external experts taking into consideration current market conditions.

The Group's Board-approved five-year plan includes management's estimate of revenue, gross margin and other financial assumptions that will be achieved under the new STAR strategy. These consolidate risk-adjusted granular forecasts for individual products or initiatives that consider market opportunities, execution risk, past experience and other relevant factors.

As set out in the TCFD section the Group has assessed the potential impact of climate change for the next five years to be low, and have therefore not included climate related impacts in the value in use calculation. Beyond 2028 although there are potential costs associated with climate change, these are balanced with significant opportunity for increased demand for protective products in a changing global security environment. Given this balanced view no climate related risk adjustments have been made to long-term projections beyond five years.

#### Head Protection CGU

The recoverable amount of the Head Protection CGU of $182.1 million, determined based on value in use calculations, is less than the carrying amount of the associated CGU net assets and has therefore resulted in an impairment to goodwill of $23.4 million.

An impairment has arisen due to a Head Protection level CGU test being performed for the first time which includes all goodwill associated with the 2020 Ceradyne acquisition of $28.0 million and 2021 Team Wendy acquisition of $58.3 million. In 2021, goodwill related to the Ceradyne acquisition was allocated in full to the sole Respiratory and Head protection operating segment, and as such was unaffected by the 2021 Armour-related impairments. In 2022, the decision to present Armour as a separate operating segment was taken, with nil goodwill value allocated to the Armour segment. This was based on a relative value approach, which attributed no value to Armour given trading losses forecast to closure.

The exclusion of cash flows considered expansionary, which form a part of the Group's long-term forecasts, have also contributed to the impairment.

The calculation of the recoverable amount for the Head Protection CGU is highly sensitive to small changes in key assumptions, considered to be revenue growth, gross profit margins, the discount rate and the perpetuity growth rate. The Group has carried out sensitivity analysis on the Head Protection CGU impairment test, using reasonably plausible scenarios focused on changes to key assumptions applied in the value in use calculations. The table below provides the expected revenue and gross margin growth rates included in the calculation. Annual growth is expected to be higher in earlier years of the five-year plan.

| | |
|---|---|
| Annual growth in revenue from 2024/25 to 2027/28 | 5 to 18% |
| Annual growth in gross margin from 2024/25 to 2027/28 | 8 to 31% |

If the compound annual revenue growth rate over the first five years of the forecast was reduced by 1.0%, with the impact on the fifth year extrapolated in calculating terminal value, the impairment to Head Protection CGU goodwill would be increased by $22.0 million. There are many revenue assumptions which are included in the forecast, with the impact a 1.0% change in revenue growth rate disclosed. Small changes in other aspects of the revenue assumptions would have material impact on the value in use which we have not disclosed. A 1.0% change in the revenue growth rate demonstrates the significant impact on a wide range of these revenue assumptions.

Sensitivity to other key assumptions is as follows:

| | **Increase to Head CGU impairment $m** |
|---|---|
| Gross margin for all products reduced by 1.0% | 13.8 |
| Post-tax discount rate increased by 0.5% | 9.5 |
| Perpetuity growth rate reduced by 0.5% | 6.3 |

#### Respiratory Protection CGU

Value in use for the Respiratory Protection CGU is substantially greater than it's carrying amount. Sensitivity analysis has been performed which shows there are no reasonable changes in assumptions that would result in an impairment to goodwill and other net assets associated with the Respiratory Protection CGU

## **Section 3 – Non-current assets** continued

### **3.1 Intangible assets** continued

### Impairment review of development costs

Development assets are grouped into the smallest identifiable group of assets generating future cash flows largely independent from other assets, known as cash-generating units (CGU). Included in CGUs are development expenditure, tangible assets and inventory related to the product group. CGUs are tested for impairment annually and whenever there is an indication of impairment. The CGUs have been tested against their recoverable amount deemed to be their value in use. Cash flows were discounted using a post-tax rate of 10.9% (2022: 9.9%). Equivalent pre-tax rates were 14.9% (2022: 14.3%). Cash flows were adjusted to incorporate risks specific to each CGU. Sensitivity analysis demonstrated any reasonably possible change in discount rate to incorporate an uplift to the size premium for smaller CGU's would not result in any additional impairments

As a result of the review the following impairment charges were identified.

Current period:

- Assets relating to one of the products in the Group's escape hood range fully exceptionally impaired by $0.5 million due to its discontinuation ($0.2 million development expenditure, $0.3 million plant and machinery).

Prior period:

- General Service Respirator (GSR) fully exceptionally impaired by $2.9 million due to a change made on costing assumptions and forecast cash flow periods, driven by changes in market factors ($0.7 million development expenditure, $2.2 million plant and machinery).
- Other respiratory asset development expenditure impaired by $1.1 million due to a change in expected forecast cash flows and market factors. $0.7 million of these impairments were considered exceptional.
- Armour-specific development expenditure impaired by $0.2 million for a small number of reclassified assets

Following the impairment charges recognised, recoverable amounts were equal to carrying amounts.

Development costs include $1.2 million relating to the boots and gloves product range, which was awarded an NSPA framework contract during the period. Given reliance on forecast future NSPA revenues and other upcoming commercial opportunities impairment sensitivity for the boots and gloves CGU has been disclosed below. The carrying amount of the CGU includes attributable fixed assets and inventory. Given the need to secure profitable future orders the changes in revenue and gross margin to the breakeven position disclosed in the table below are considered reasonably possible. A further reduction of 50% in forecast revenues would lead to an impairment of $1.1m and a 1500bps reduction in gross margin would lead to an impairment of $0.7m.

| | | | Individual assumptions required for the estimated recoverable amount to equal to the carrying amount | | |
|---|---|---|---|---|---|
| | **Carrying amount $m** | **Value in use $m** | **Post-tax discount rate** | **Forecast revenue reduction** | **Change in gross margin** |
| Boots and gloves CGU | 3.0 | 5.7 | 27.0% | (35.0%) | (1200bps) |

At the period end $2.6 million of development costs relate to technology under development (2022: $12.2 million), including $2.6 million relating to ACH GEN II First Article Testing approval (2022: $1.5 million). Formal ACH GEN II First Article Testing approval was received post period end

### Acquired intangibles

| | **At 2 October 2021 Net book amount $m** | **Amortisation $m** | **At 1 October 2022 Net book amount $m** | **Amortisation $m** | **At 30 September 2023 Net book amount $m** |
|---|---|---|---|---|---|
| Brand | 11.5 | (1.1) | 10.4 | (1.1) | 9.3 |
| Customer relationships | 28.4 | (3.0) | 25.4 | (3.0) | 22.4 |
| Other intangibles | 19.0 | (2.7) | 16.3 | (2.2) | 14.1 |
| Total acquired intangibles | 58.9 | (6.8) | 52.1 | (6.3) | 45.8 |

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.

### Customer relationships

The net book value of customer relationships includes one separately identifiable individually material contract with the National Industries for the Blind (NIB). The NIB contract was acquired through the acquisition of Team Wendy at a fair value of $14.9 million. As at 30 September 2023, this acquired intangible had a carrying value of $11.0 million and a remaining amortisation period of eight years. Other customer relationships also included other Team Wendy customer relationships acquired at fair value of $13.3 million. As at 30 September 2023, these acquired intangibles had a carrying value of $10.5 million and a remaining amortisation period of 11 years.

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 $0.9 million, after amortisation and historical impairment charges

### Computer software

Computer software associated with Armour was impaired by $0.6 million in the period, following the closure of this business

## Section 3 – Non-current assets continued

### 3.2 Property, plant and equipment

| | Freeholds $m | Right of use lease assets $m | Plant and machinery $m | Leasehold improvements $m | Total $m |
|---|---|---|---|---|---|
| **At 2 October 2021** | | | | | |
| Cost | 3.0 | 42.7 | 94.7 | 3.9 | 144.3 |
| Accumulated depreciation and impairment | (1.2) | (27.7) | (66.4) | (0.4) | (95.7) |
| **Net book amount** | 1.8 | 15.0 | 28.3 | 3.5 | 48.6 |
| **52 weeks ended 1 October 2022** | | | | | |
| Opening net book amount | 1.8 | 15.0 | 28.3 | 3.5 | 48.6 |
| Exchange differences | – | (1.2) | (0.9) | – | (2.1) |
| Additions | – | 2.2 | 2.9 | – | 5.1 |
| Impairments[2] | – | (0.4) | (2.2) | – | (2.6) |
| Depreciation charge | (0.1) | (3.0) | (5.5) | (0.5) | (9.1) |
| **Closing net book amount** | 1.7 | 12.6 | 22.6 | 3.0 | 39.9 |
| **At 1 October 2022** | | | | | |
| Cost | 3.0 | 43.2 | 96.8 | 3.9 | 146.9 |
| Accumulated depreciation and impairment | (1.3) | (30.6) | (74.2) | (0.9) | (107.0) |
| **Net book amount** | 1.7 | 12.6 | 22.6 | 3.0 | 39.9 |
| **52 weeks ended 30 September 2023** | | | | | |
| Opening net book amount | **1.7** | **12.6** | **22.6** | **3.0** | **39.9** |
| Exchange differences | **–** | **0.5** | **0.5** | **–** | **1.0** |
| Additions | **–** | **1.1** | **7.4** | **–** | **8.5** |
| Disposals[1] | **–** | **–** | **(0.8)** | **–** | **(0.8)** |
| Impairments[2] | **–** | **(0.5)** | **(0.5)** | **–** | **(1.0)** |
| Transfer of finance leases | **–** | **(2.6)** | **–** | **–** | **(2.6)** |
| Depreciation charge | **(0.2)** | **(2.6)** | **(5.7)** | **(0.7)** | **(9.2)** |
| **Closing net book amount** | **1.5** | **8.5** | **23.5** | **2.3** | **35.8** |
| **At 30 September 2023** | | | | | |
| Cost | **3.0** | **41.7** | **86.0** | **3.7** | **134.4** |
| Accumulated depreciation and impairment | **(1.5)** | **(33.2)** | **(62.5)** | **(1.4)** | **(98.6)** |
| **Net book amount** | **1.5** | **8.5** | **23.5** | **2.3** | **35.8** |

1 $0.5 million of disposals related to the divestment of Armour (note 2.2)

2 The $0.5 million right of use asset impairment, and $0.2 million of the plant and machinery impairment relates to the closure of one of our U.S. offices (2022: $0.4 million impairment to right of use asset). The remaining $0.3 million plant and machinery impairment is detailed in note 3.1 (2022: $2.2 million)

Property, plant and equipment with a net book amount of $28.2 million is located within the United States of America (2022: $29.4 million). The balance is located in the United Kingdom.

$5.3 million (2022: $3.7 million) of expenditure included in the carrying value of plant and machinery relates to assets under construction.

### 3.3 Finance leases

| | Finance leases $m |
|---|---|
| **At 1 October 2022** | – |
| Transfer from property, plant and equipment | 2.6 |
| Additions | 4.2 |
| Payments received | (0.6) |
| **At 30 September 2023** | **6.2** |

The Group subleases legacy commercial premises where they are no longer required for operations, resulting in lease assets being held on the balance sheet. Following the sublet of an additional property in the period, these assets have been transferred from right of use assets to a specific finance lease balance sheet classification as they are now considered collectively material. Payments received include $0.1m of interest income, presented as part of other finance income. Expected credit losses on finance lease assets are less than $0.1m, and have been considered immaterial.

## Section 4 – Working capital

### 4.1 Inventories

| | 2023 $m | 2022 $m |
|---|---|---|
| Raw materials | 30.1 | 36.6 |
| Work in progress | 22.3 | 21.0 |
| Finished goods | 14.3 | 18.2 |
| Inventory – gross | 66.7 | 75.8 |
| Inventory provisions | (12.3) | (10.2) |
| Inventory – net | 54.4 | 65.6 |

The cost of inventories recognised as an expense and included in cost of sales amounted to $84.1 million (2022: $101.4 million restated to exclude Armour). The amount of inventory carried as fair value less costs to sell is $nil (2022: $nil).

### 4.2 Trade and other receivables

| | 2023 $m | 2022 $m |
|---|---|---|
| Trade receivables | 54.4 | 26.6 |
| Less: provision for impairment of receivables | (0.5) | (0.5) |
| Trade receivables – net | 53.9 | 26.1 |
| Prepayments | 3.6 | 4.3 |
| Other receivables | 0.8 | 0.2 |
| | 58.3 | 30.6 |

The Group has no contract assets in the current or prior period.

See note 5.4 (i) 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 Trade and other payables

| | 2023 $m | 2022 $m |
|---|---|---|
| Trade payables | 17.3 | 20.0 |
| Contract liabilities | 1.3 | 1.7 |
| Other taxation and social security | 0.9 | 1.0 |
| Other payables | – | 0.1 |
| Accruals | 15.1 | 19.5 |
| | 34.6 | 42.3 |

Contract liabilities represent amounts invoiced under contracts with customers but not recognised as revenue at the balance sheet date and cash received in advance. $1.7 million (2022: $3.3 million) of the balance in contract liabilities at the start of the period was recognised as revenue in the current period. The outstanding balance at the end of the period is expected to be recognised within the next 12 months. Other payables comprise sundry items which are not individually significant for disclosure.

## Section 4 – Working capital continued

### 4.4 Cash and cash equivalents

| | 2023 $m | 2022 $m |
|---|---|---|
| Cash and cash equivalents | 13.2 | 9.5 |

Cash and cash equivalents are denominated in U.S. dollars, pounds sterling and euros and earn interest based on central bank rates.

The Group generates cash from its operating activities as follows:

| | 2023 $m | 2022 (restated)[1] $m |
|---|---|---|
| **Continuing operations** | | |
| (Loss)/profit for the period | (16.4) | 5.7 |
| Taxation | (3.8) | 0.3 |
| Depreciation | 9.2 | 9.1 |
| Amortisation of intangible assets | 11.6 | 12.7 |
| Loss on disposal (excluding Armour sale transaction) | 0.3 | – |
| Restructuring-related impairment of non-current assets | 0.7 | 0.4 |
| Impairment of other non-current assets (excluding restructuring-related impairments) | 0.5 | 4.0 |
| Impairment of goodwill | 23.4 | – |
| Defined benefit pension scheme cost | 1.0 | 0.8 |
| Net finance costs | 7.6 | 5.0 |
| Fair value of share-based payments | 0.7 | 1.0 |
| Transition costs expensed | 1.5 | – |
| Restructuring costs expensed | 1.4 | 1.6 |
| (Increase)/decrease in inventories | (6.8) | 1.7 |
| (Increase)/decrease in receivables | (26.2) | 13.2 |
| (Decrease)/increase in payables and provisions | (2.2) | 3.2 |
| **Cash flows from continuing operations before restructuring and transition costs** | 2.5 | 58.7 |
| Restructuring and transition costs paid | (2.3) | (1.0) |
| **Cash flows from continuing operations** | 0.2 | 57.7 |
| **Discontinued operations** | | |
| Profit/(loss) for the period | 2.0 | (13.3) |
| Taxation | 0.3 | (3.8) |
| Impairments | 0.6 | 0.2 |
| Net finance costs | 0.2 | 1.4 |
| Change in contingent consideration | – | (3.9) |
| Gain on disposal before tax | (9.1) | - |
| Decrease/(increase) in inventories | 16.7 | (6.6) |
| Increase in receivables | (1.3) | (1.4) |
| (Decrease)/increase in payables and provisions | (6.2) | 3.2 |
| **Cash flows from discontinued operations** | 3.2 | (24.2) |
| **Cash flows from operations** | 3.4 | 33.5 |

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business

The balance sheet change in inventories is reconciled as follows:

| | 2023 $m | 2022 $m |
|---|---|---|
| Change in inventories – continuing operations cash flows | 6.8 | (1.7) |
| Change in inventories – discontinued operations cash flows | (16.7) | 6.6 |
| Inventories disposed (note 2.2) | (2.0) | - |
| Non-cash foreign exchange translation | 0.7 | (1.6) |
| **Balance sheet inventories movement (note 4.1)** | (11.2) | 3.3 |

## Section 5 – Funding

The following section provides disclosures about the Group's funding position, including borrowings, finance costs, exposure to financial risks and capital management policies.

### 5.1 Borrowings

| | 2023 $m | 2022 $m |
|---|---|---|
| **Current** | | |
| Lease liabilities | 4.3 | 4.1 |
| **Non-current** | | |
| Bank loans | 77.7 | 53.7 |
| Lease liabilities | 16.6 | 19.7 |
| | 94.3 | 73.4 |
| **Total Group borrowings** | 98.6 | 77.5 |

Bank loans comprise drawings under the revolving credit facility.

The Group has the following undrawn committed facilities:

| | 2023 $m | 2022 $m |
|---|---|---|
| Expiring beyond one year | | |
| Total undrawn committed borrowing facilities | 127.3 | 151.3 |
| Bank loans and overdrafts utilised | 77.7 | 53.7 |
| **Total Group facilities** | 205.0 | 205.0 |

The Group has a revolving credit facility (RCF) with a total commitment of $200 million across six lenders with an accordion option of an additional $50 million. $142 million of the facility matures on 8 September 2025. The remaining $58 million matures on 8 September 2024.

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

The RCF is drawn in short to medium-term tranches of debt which are repayable within 12 months of draw-down. These tranches of debt can be rolled over provided certain conditions are met, including covenant compliance. The Group considers that it is highly unlikely it would be unable to exercise its right to roll over the debt based on forecast covenant compliance. Even in a severe downside scenario there are mitigating actions (within the control of the Group) that could be taken to maintain compliance with these conditions, including future covenant requirements. The Directors therefore believe that the Group has the ability and the intent to roll over the drawn RCF amounts when due and consequently has presented the RCF as a non-current liability.

The RCF is floating rate priced on the Secured Overnight Financing Rate (SOFR) plus a margin of 1.45-2.35% depending on leverage. The Group has provided the lenders with a negative pledge in respect of certain shares in Group companies.

In addition to the RCF our U.S. operations have access to a $5.0 million overdraft facility, used to manage short-term liquidity requirements.

## Section 5 – Funding continued

### 5.1 Borrowings continued

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

| | 2023 $m | 2022 $m |
|---|---|---|
| In one year or less, or on demand | 4.3 | 4.1 |
| Two to five years | 86.8 | 65.5 |
| More than five years | 7.5 | 7.9 |
| **Total Group borrowings** | 98.6 | 77.5 |

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

| | 2023 $m | 2022 (restated)[1] $m |
|---|---|---|
| Interest payable on bank loans and overdrafts | (6.3) | (2.5) |
| Interest payable in respect of leases | (0.7) | (0.7) |
| Amortisation of finance fees | (0.6) | (0.5) |
| Net interest cost: U.K. defined benefit pension scheme (note 6.2) | (0.4) | (1.3) |
| Other finance income | 0.4 | – |
| Net finance costs | (7.6) | (5.0) |

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business.

Other finance income comprises $0.1 million finance lease interest and $0.3 million bank interest on cash balances.

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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Sterling % | Dollar % | Sterling % | Dollar % |
| Bank loans (interest payable on drawn facilities) | – | 7.76% | – | 4.75% |
| Lease liabilities | 7.70% | 2.80% | 7.70% | 2.80% |

Floating interest on bank loans has been hedged using interest rate swaps as described in note 5.4 (iv).

### Movement analysis for interest due on bank loans

| | At 1 October 2022 $m | Cash flow $m | Non-cash movements $m | Exchange movements $m | At 30 September 2023 $m |
|---|---|---|---|---|---|
| Interest due on bank loans | – | (6.3) | 6.3 | – | – |

| | At 2 October 2021 $m | Cash flow $m | Non-cash movements $m | Exchange movements $m | At 1 October 2022 $m |
|---|---|---|---|---|---|
| Interest due on bank loans | – | (2.5) | 2.5 | – | – |

In addition to cash flows disclosed above for interest, in the prior period the Group paid $0.2 million relating to RCF extension options.

## Section 5 – Funding continued

### 5.3 Analysis of net cash/(debt)

| | At 1 October 2022 $m | Cash flow $m | Non-cash movements $m | Exchange movements $m | At 30 September 2023 $m |
|---|---|---|---|---|---|
| Cash and cash equivalents | 9.5 | 3.7 | – | – | 13.2 |
| Bank loans | (53.7) | (24.0) | – | – | (77.7) |
| Net debt excluding lease liabilities | (44.2) | (20.3) | – | – | (64.5) |
| Lease liabilities | (23.8) | 5.1 | (1.5) | (0.7) | (20.9) |
| Net debt | (68.0) | (15.2) | (1.5) | (0.7) | (85.4) |

| | At 2 October 2021 $m | Cash flow $m | Non-cash movements $m | Exchange movements $m | At 1 October 2022 $m |
|---|---|---|---|---|---|
| Cash and cash equivalents | 14.1 | (4.2) | – | (0.4) | 9.5 |
| Bank loans | (40.9) | (12.8) | – | – | (53.7) |
| Net debt excluding lease liabilities | (26.8) | (17.0) | | (0.4) | (44.2) |
| Lease liabilities | (29.1) | 5.1 | (1.4) | 1.6 | (23.8) |
| Net debt | (55.9) | (11.9) | (1.4) | 1.2 | (68.0) |

Cash flows against lease liabilities were as follows:

| | 2023 $m | 2022 $m |
|---|---|---|
| Repayment of lease liability – continuing operations | 3.5 | 3.2 |
| Finance costs paid in respect of leases – continuing operations | 0.7 | 0.7 |
| Lease cash flows related to discontinued operations | 0.9 | 1.2 |
| Total lease cash flows | 5.1 | 5.1 |

### 5.4 Financial instruments

#### Financial instruments by category

Trade and other receivables (excluding prepayments) and cash and cash equivalents are classified as 'financial assets'. Borrowings and trade and other payables are classified as 'other financial liabilities at amortised cost'. Both categories are initially measured at fair value and subsequently held at amortised cost.

Derivatives (interest rate swaps) are classified as 'derivatives used for hedging' and accounted for at fair value with gains and losses taken to reserves through the Consolidated Statement of Comprehensive Income.

#### Financial risk and treasury policies

The Group's finance team maintains liquidity, manages relations with the Group's bankers, identifies and manages risk and provides a treasury service to the Group's businesses. Treasury dealings such as investments, borrowings and foreign exchange are conducted only to support underlying business transactions.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and monies on deposit with financial institutions.

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets (as defined in IFRS 15). ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

**Section 5 – Funding** continued

**5.4 Financial instruments** continued

Financial risk and treasury policies continued

(i) Credit risk continued

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| Carrying amount of financial assets | 2023 $m | 2022 $m |
|---|---|---|
| Trade receivables - net | 53.9 | 26.1 |
| Other receivables | 0.8 | 0.2 |
| Cash and cash equivalents | 13.2 | 9.5 |
| | 67.9 | 35.8 |

The maximum exposure to credit risk for financial assets at the reporting date by currency was:

| Carrying amount of financial assets | 2023 $m | 2022 $m |
|---|---|---|
| Pound sterling | 10.0 | 2.2 |
| U.S. dollar | 56.1 | 31.9 |
| Euro | 1.7 | 1.2 |
| Other currencies | 0.1 | 0.5 |
| | 67.9 | 35.8 |

The ageing of trade receivables and associated provision for impairment at the reporting date was

| | Gross 2023 $m | Provision 2023 $m | Net 2023 $m | Gross 2022 $m | Provision 2022 $m | Net 2022 $m |
|---|---|---|---|---|---|---|
| Not past due | 48.8 | – | 48.8 | 18.8 | – | 18.8 |
| Past due 0–30 days | 5.0 | – | 5.0 | 6.9 | – | 6.9 |
| Past due 31–60 days | 0.2 | (0.1) | 0.1 | 0.3 | (0.2) | 0.1 |
| Past due 61–90 days | – | – | – | – | – | – |
| Past due more than 91 days | 0.4 | (0.4) | – | 0.6 | (0.3) | 0.3 |
| | 54.4 | (0.5) | 53.9 | 26.6 | (0.5) | 26.1 |

The total past due receivables, net of provisions, is $5.1 million (2022: $7.3 million).

Individually impaired receivables relate to a small number of specific customers. Provisions for impairment are based on expected credit losses and are estimated based on knowledge of customers and historical experience of losses. A portion of these receivables is expected to be recovered.

Movements on the Group provision for impairment of trade receivables are as follows:

| | 2023 $m | 2022 $m |
|---|---|---|
| At the beginning of the period | 0.5 | 0.4 |
| Provision for impairment of trade receivables | – | 0.1 |
| **At the end of the period** | 0.5 | 0.5 |

The only significant concentration of credit risk is with the U.S. Government Department of Defense. At the balance sheet date outstanding trade receivables for this customer were $13.7 million (2022: $3.0 million).

The credit risk in relation to trade receivables is managed via credit evaluations for all non-Government customers requiring credit above a certain threshold, with required approval levels dependent on the value of sales. Where possible, letters of credit or payments in advance are received for significant export sales.

## Section 5 – Funding continued
### 5.4 Financial instruments continued
#### Financial risk and treasury policies continued

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses weekly cash flow forecasts to monitor cash requirements and to optimise its borrowing position. Typically the Group ensures that it has sufficient borrowing facilities to meet foreseeable operational expenses.

The following shows the contractual maturities of financial liabilities, including interest payments, where applicable, and excluding the impact of netting agreements and on an undiscounted basis:

| Analysis of contractual cash flow maturities | Carrying amount $m | Contractual cash flows $m | Less than 12 months $m | 2–5 years $m | After 5 years $m |
|---|---|---|---|---|---|
| **30 September 2023** | | | | | |
| Bank loans and overdrafts | 77.7 | 87.0 | 4.7 | 82.3 | – |
| Trade and other payables | 32.4 | 32.4 | 32.4 | – | – |
| Lease liabilities | 20.9 | 26.8 | 5.2 | 11.3 | 10.3 |
| Derivatives | 0.9 | 0.9 | 0.3 | 0.6 | – |
| | 131.9 | 147.1 | 42.6 | 94.2 | 10.3 |

| Analysis of contractual cash flow maturities | Carrying amount $m | Contractual cash flows $m | Less than 12 months $m | 2–5 years $m | After 5 years $m |
|---|---|---|---|---|---|
| **1 October 2022** | | | | | |
| Bank loans and overdrafts | 53.7 | 63.6 | 4.2 | 59.4 | – |
| Trade and other payables | 39.6 | 39.6 | 39.6 | – | – |
| Lease liabilities | 23.8 | 29.6 | 4.9 | 14.1 | 10.6 |
| Derivatives | 0.5 | 0.5 | 0.2 | 0.3 | – |
| | 117.6 | 133.3 | 48.9 | 73.8 | 10.6 |

(iii) Currency risk

The Group is exposed to transactional foreign exchange risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are sterling and U.S. dollars.

Transactional risk is minimised through natural hedging of sales and purchase currencies at a Company level. The Group monitors net transactional exposure and can utilise forward foreign exchange contracts to hedge the remaining currency risk. These contracts are generally designated as cash flow hedges. At the end of the reporting period there were no forward contracts outstanding (2022: $nil).

The Group is also exposed to translational foreign exchange risk arising when the results of sterling denominated companies are consolidated into the Group presentational currency, U.S. dollars. Group policy is not to hedge translational foreign exchange risk.

In respect of monetary assets and liabilities that are not denominated in Company functional currencies, the Group regularly reviews net exposure and ensures this is kept to an acceptable level by monitoring intercompany funding structures and buying or selling foreign currencies where necessary to address short-term imbalances.

## Section 5 – Funding continued

### 5.4 Financial instruments continued

Financial risk and treasury policies continued

(iii) Currency risk continued

#### Sensitivity analysis

It is estimated that, with all other variables held equal (in particular other exchange rates), a 1 cent increase in the value of the U.S. dollar against sterling would have increased the Group's profit before interest and tax by $0.2 million (2022: $0.2 million), increased the Group's profit after tax by $0.2 million (2022: $0.2 million) and increased shareholders' funds by $0.2 million (2022: $0.2 million).

The following significant exchange rates applied during the period:

| | Average rate 2023 | Closing rate 2023 | Average rate 2022 | Closing rate 2022 |
|---|---|---|---|---|
| Pound sterling | 0.8163 | 0.8161 | 0.7841 | 0.9058 |

(iv) Interest rate risk

| Derivative financial instruments – interest rate swaps | 2023 $m | 2022 $m |
|---|---|---|
| Current | 0.3 | 0.2 |
| Non-current | 0.6 | 0.3 |
| | 0.9 | 0.5 |

| | At 1 October 2022 $m | Cash flow $m | Non-cash movements $m | At 30 September 2023 $m |
|---|---|---|---|---|
| Interest rate swaps | 0.5 | (0.3) | 0.7 | 0.9 |

| | At 2 October 2021 $m | Cash flow $m | Non-cash movements $m | At 30 September 2022 $m |
|---|---|---|---|---|
| Interest rate swaps | – | – | 0.5 | 0.5 |

The RCF is floating rate priced using the Secured Overnight Financing Rate (SOFR). In 2022 the Group implemented a hedging policy using interest rate swaps to fix a portion of SOFR floating rate interest. The notional value of active interest rate swaps at 30 September 2023 was $30.0 million (2022: $30.0 million), expiring on 8 September 2025 (2022: $30.0 million). The Group also has additional interest rate swaps in place with a notional value of $20.0 million starting on 8 September 2025 and expiring on 8 September 2026 (2022: $nil).

After taking account of hedging, a 1.0% increase in SOFR would have increased interest payable on bank loans by $0.5 million (2022: $0.2 million).

(v) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, whilst maintaining an optimal capital structure.

In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of the gearing ratio, calculated as net debt excluding lease liabilities divided by capital, and leverage (note 5.1). The Group's gearing ratio at the balance sheet date was:

| | 2023 $m | 2022 $m |
|---|---|---|
| Net debt excluding lease liabilities | (64.5) | (44.2) |
| Group market capitalisation | 235.0 | 385.0 |
| Gearing ratio | 0.27 | 0.11 |

## Section 5 – Funding continued

### 5.4 Financial instruments continued

Financial risk and treasury policies continued

(vi) Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

| | Carrying amount 2023 $m | Fair value 2023 $m | Carrying amount 2022 $m | Fair value 2022 $m |
|---|---|---|---|---|
| Trade receivables - net | 53.9 | 53.9 | 26.1 | 26.1 |
| Other receivables | 0.8 | 0.8 | 0.2 | 0.2 |
| Derivatives | 0.9 | 0.9 | 0.5 | 0.5 |
| Cash and cash equivalents | 13.2 | 13.2 | 9.5 | 9.5 |
| Bank loans | (77.7) | (77.7) | (53.7) | (53.7) |
| Trade and other payables | (33.7) | (33.7) | (41.3) | (41.3) |

#### Basis for determining fair value

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

#### Derivatives

The Group's interest rate swaps are not traded in active markets. These have been fair valued using observable interest rates. The effects of non-observable inputs are not significant for interest rate swaps.

Counterparty banks perform valuations of interest rate swaps for financial reporting purposes, determined by discounting the future cash flows at rates determined by year end yield curves

#### Secured loans

As the loans are floating rate borrowings, amortised cost is deemed to reflect fair value

#### Trade and other receivables/payables

As the majority of receivables/payables have a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

### 5.5 Equity

Share capital

| | Number of shares 2023 | Ordinary shares 2023 $m | Share premium 2023 $m | Number of shares 2022 | Ordinary shares 2022 $m | Share premium 2022 $m |
|---|---|---|---|---|---|---|
| **Called up allotted and fully paid ordinary shares of £1 each** | | | | | | |
| At the beginning of the period | 31,023,292 | 50.3 | 54.3 | 31,023,292 | 50.3 | 54.3 |
| **At the end of the period** | 31,023,292 | 50.3 | 54.3 | 31,023,292 | 50.3 | 54.3 |

Ordinary shareholders are entitled to receive dividends and to vote at meetings of the Company.

## Section 5 – Funding continued

### 5.5 Equity continued

Own shares held – Long-Term Incentive Plan

| | 2023 Number of shares | 2022 Number of shares |
|---|---|---|
| **Opening balance** | 261,714 | 334,933 |
| Acquired in the period | – | – |
| Disposed of on exercise of options | – | (73,219) |
| **Closing balance** | 261,714 | 261,714 |

These shares are held in trust in respect of awards made under the Avon Protection p.l.c. Long-Term Incentive Plan. Dividends on the shares have been waived. The market value of shares held in trust at 30 September 2023 was $2.0 million (1 October 2022: $3.2 million). The shares are held at cost as treasury shares and deducted from shareholders' equity. In December 2021 73,219 shares vested and were distributed to employees.

Own shares held – Share Buyback Programme

| | 2023 Number of shares | 2022 Number of shares |
|---|---|---|
| **Opening balance** | 765,098 | – |
| Acquired in the period | – | 765,098 |
| **Closing balance** | 765,098 | 765,098 |

In the 52 weeks ended 1 October 2022 the Group completed a £9.25 million ($12.4 million) Share Buyback Programme, purchasing 765,098 ordinary shares. Dividends on the shares have been waived. Purchased shares under the programme are held at cost as treasury shares and deducted from shareholders' equity.

### 5.6 Dividends

On 27 January 2023, the shareholders approved a final dividend of 30.6c per qualifying ordinary share in respect of the 52 weeks ended 1 October 2022. This was paid on 10 March 2023 utilising $9.1 million of shareholders' funds.

The Board of Directors declared an interim dividend of 14.3c (2022: 14.3c) per qualifying ordinary share in respect of the 52 weeks ended 30 September 2023. This was paid on 8 September 2023 utilising $4.3 million (2022: $4.3 million) of shareholders' funds.

The Board is recommending a final dividend of 15.3c per share (2022: 30.6c) which together with the 14.3c interim dividend gives a total dividend of 29.6c (2022: 44.9c). The final dividend will be paid on 8 March 2024 to shareholders on the register at 9 February 2024 with an ex-dividend date of 8 February 2024.

Dividend cover

| | 2023 $ cents | 2022 $ cents |
|---|---|---|
| Interim dividend | 14.3c | 14.3c |
| Final dividend | 15.3c | 30.6c |
| **Total dividend** | 29.6c | 44.9c |
| **Basic earnings per share – continuing operations** | (54.7c) | 18.8c |
| **Dividend cover ratio** | (1.8) times | 0.4 times |

## Section 6 – Key management and employee benefits

### 6.1 Employees

Total remuneration and associated costs for the period, in relation to both continuing and discontinued operations, were:

| | 2023<br>$m | 2022<br>(restated)[1]<br>$m |
|---|---|---|
| Wages and salaries | 66.8 | 70.8 |
| Social security costs | 6.5 | 6.0 |
| Other pension costs | 3.1 | 3.0 |
| U.S. healthcare costs | 6.1 | 6.4 |
| Share-based payments (note 6.3) | 0.7 | 1.0 |
| | 83.2 | 87.2 |

1 Comparative "wages and salaries" and total remunerations have each been increased by $4.5 million, with the restatement reflecting a correction to expense allocations. This is a disclosure restatement and does not have an impact on the Group's primary statements.

Detailed disclosures of Directors' remuneration and share options, including disclosure of the highest paid Director, are given on page 105.

The average monthly number of employees (including Executive Directors) during the period was:

| | 2023<br>number | 2022<br>number |
|---|---|---|
| Respiratory Protection | 544 | 603 |
| Head Protection | 386 | 364 |
| Armour | 35 | 54 |
| Dairy | 3 | 3 |
| | 968 | 1,024 |

The total number of employees (including Executive Directors) at the end of the reporting period was:

| | 2023<br>number | 2022<br>number |
|---|---|---|
| Respiratory Protection | 501 | 603 |
| Head Protection | 422 | 352 |
| Armour | 2 | 49 |
| Dairy | 3 | 3 |
| | 928 | 1,007 |

Central employees that are not specifically related to an individual business have been allocated to Respiratory Protection and Head Protection based on an average of relative net assets, payroll costs and revenues.

### Key management compensation

The key management compensation below includes the Executive Directors plus five (2022: five) others who were active members of the Group Executive during the period. It does not include Non-Executive Directors.

| | 2023<br>$m | 2022<br>$m |
|---|---|---|
| Salaries and other employee benefits | 2.7 | 3.8 |
| Post-employment benefits | 0.2 | 0.2 |
| | 2.9 | 4.0 |

The value of LTIP share awards held by key management that vested during the period was $nil (2022: $0.7 million).

## Section 6 – Key management and employee benefits continued

### 6.2 Pensions and other retirement benefits

#### Defined contribution pension scheme

The charge in respect of defined contribution pension schemes was $3.1 million (2022: $3.0 million).

#### Defined benefit pension scheme

Retirement benefit assets and liabilities can be analysed as follows:

| | 2023 $m | 2022 $m |
|---|---|---|
| Net pension liability | 40.2 | 6.3 |

The Group operated a contributory defined benefit plan to provide pension and death benefits for the employees of Avon Protection plc and its Group undertakings in the U.K. employed prior to 31 January 2003. The plan was closed to future accrual of benefit on 1 October 2009 and has a weighted average maturity of approximately 11 years. The assets of the plan are held in separate trustee administered funds and are invested by professional investment managers. The trustee is Avon Rubber Pension Trust Limited, the Directors of which are members of the plan. Three of the Directors are appointed by the Company and two are elected by the members. The defined benefit plan exposes the Group to actuarial risks such as longevity risk, inflation risk and investment risk.

The funding of the plan is based on regular actuarial valuations. The most recent full actuarial valuation of the plan was carried out at 31 March 2022 when the market value of the plan's assets was £337.5 million. The fair value of those assets represented 91% of the value of the benefits which had accrued to members, after allowing for future increase in pensions

The net pension liability for the scheme amounted to $40.2 million as at 30 September 2023 (2022: $6.3 million). The increase is mainly due to adverse actuarial experience adjustments.

During the period the Group made no payments to the plan (2022: $8.5 million) in respect of scheme expenses and deficit recovery plan payments as prior period payments included $4.0 million to cover all contributions due in FY23. In accordance with the deficit recovery plan agreed following the 31 March 2022 actuarial valuation, the Group will make payments in FY24 of £7.0 million, FY25 of £4.3 million and FY26 of £4.7 million in respect of deficit recovery and scheme expenses.

The Directors have confirmed no additional liability is required to be recognised as a consequence of minimum funding requirements. The trustees have no rights to wind up the scheme or improve benefits without Company consent.

An updated actuarial valuation for IAS 19 (revised) purposes was carried out by an independent actuary for period end using the projected unit credit method.

#### Movement in net defined benefit liability

| | Defined benefit obligation | | Defined benefit asset | | Net defined benefit liability | |
|---|---|---|---|---|---|---|
| | 2023 $m | 2022 $m | 2023 $m | 2022 $m | 2023 $m | 2022 $m |
| **At the beginning of the period** | (284.9) | (534.7) | 278.6 | 466.4 | (6.3) | (68.3) |
| **Included in profit or loss** | | | | | | |
| Administrative expenses | (1.0) | (0.8) | – | – | (1.0) | (0.8) |
| Net interest cost | (16.2) | (10.3) | 15.8 | 9.0 | (0.4) | (1.3) |
| | (17.2) | (11.1) | 15.8 | 9.0 | (1.4) | (2.1) |
| **Included in other comprehensive income** | | | | | | |
| Remeasurement (loss)/gain: | | | | | | |
| – Actuarial (loss)/gain arising from: | | | | | | |
| – Demographic assumptions | (2.6) | (0.2) | – | – | (2.6) | (0.2) |
| – Financial assumptions | 15.0 | 175.4 | – | – | 15.0 | 175.4 |
| – Experience adjustment | (24.4) | (11.3) | – | – | (24.4) | (11.3) |
| – Return on plan assets excluding interest income | – | – | (19.8) | (113.8) | (19.8) | (113.8) |
| | (12.0) | 163.9 | (19.8) | (113.8) | (31.8) | 50.1 |
| **Other** | | | | | | |
| Contributions by the employer | – | – | – | 8.5 | – | 8.5 |
| Net benefits paid out | 23.7 | 21.5 | (23.7) | (21.5) | – | – |
| FX (loss)/gain | (31.3) | 75.5 | 30.6 | (70.0) | (0.7) | 5.5 |
| **At the end of the period** | (321.7) | (284.9) | 281.5 | 278.6 | (40.2) | (6.3) |

## Section 6 – Key management and employee benefits continued

### 6.2 Pensions and other retirement benefits continued

#### Plan assets

The fair value of the assets of the pension scheme analysed by asset category is shown below:

| | 2023 $m | 2022 $m |
|---|---|---|
| Equities and other securities | 83.2 | 105.6 |
| Liability Driven Investment | 73.8 | 54.4 |
| Secured income fund | – | 53.1 |
| Infrastructure fund | 64.0 | 55.2 |
| Cash and cash equivalents | 60.5 | 10.3 |
| **Total fair value of assets** | 281.5 | 278.6 |

Equity securities are valued using quoted prices in active markets where available. The Liability Driven Investment (LDI) comprises an investment in a level 2 pooled investment vehicle which combines a series of variable interest-earning cash deposits combined with contracts to hedge interest rate and inflation risk. The LDI is valued using a net asset value published on the Irish Stock Exchange.

$126.0 million (2022: $169.9 million) of the remaining investments are classified as level 3 within the fair value hierarchy. Holdings in unquoted securities are valued at fair value which is typically the net asset value provided by the fund administrator at the most recent quarter end. Holdings in the infrastructure fund are valued by an independent valuer using a model-based valuation such as a discounted cash flow approach.

The significant assumptions used in the valuation are the discount rate and the expected cash flows, both of which are subject to estimation uncertainty. Changes in assumptions relating to these variables could positively or negatively impact the reported fair value of these instruments.

The Avon Rubber defined benefit pension scheme has an investment strategy which is targeted at maximising investment returns with a low risk strategy which still represents a prudent approach to meeting the plan's liabilities and ensuring that members' benefits are protected. The strategy considers the need for appropriate asset class diversification to balance the risks and rewards across a range of alternative asset classes. The investments held by the pension scheme include both quoted and unquoted securities, the latter of which by their nature involve assumptions and estimates to determine their fair value. Where there is not an active market for the unquoted securities the fair value of these assets is estimated by the pension trustees based on advice received from the investment manager whilst also using any available market evidence of any recent transactions for an identical asset. The 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:

| | 2023 % p.a. | 2022 % p.a. |
|---|---|---|
| Inflation (RPI) | 3.30 | 3.60 |
| Inflation (CPI) | 2.65 | 2.80 |
| Pension increases post-August 2005 | 2.10 | 2.30 |
| Pension increases pre-August 2005 | 3.10 | 3.45 |
| Discount rate for scheme liabilities | 5.50 | 5.30 |
| Base mortality | Deferred members: 114% of S3PA tables Pensioners: 104% of S3PA tables based on members' year of birth | 100% of S2NA tables, based on members' year of birth |
| Future improvements in longevity | CMI 2022 projections with a long-term trend of 1.50% p.a. | CMI 2021 projections with a long-term trend of 1.50% p.a. |

RPI inflation has been set in line with market break even expectations less an inflation risk premium of 0.3% (2022: 0.3%). Sensitivity analysis for inflation is disclosed on the following page.

#### 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:

| | 2023 | 2022 |
|---|---|---|
| Male | 21.3 | 21.8 |
| Female | 23.7 | 23.8 |

## Section 6 – Key management and employee benefits continued

### 6.2 Pensions and other retirement benefits continued

#### Mortality rate continued

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, is as follows

| | 2023 | 2022 |
|---|---|---|
| Male | 22.1 | 23.4 |
| Female | 24.8 | 25.6 |

Core CMI 2022 mortality assumptions have been adopted which include an adjustment for the impact of COVID-19. This is based on 25% of the higher mortality rates experienced in England and Wales in calendar year 2022. Core CMI 2022 assumptions do not include an adjustment for mortality rates experienced in 2020 or 2021.

#### Sensitivity analysis

| | Defined benefit obligation increase/(decrease) 2023 $m | Defined benefit obligation increase/(decrease) 2022 $m |
|---|---|---|
| Inflation (1.0% increase) | 21.9 | 21.4 |
| Inflation (1.0% decrease) | (21.2) | (22.0) |
| Discount rate for scheme liabilities (1.0% increase) | (32.1) | (30.7) |
| Discount rate for scheme liabilities (1.0% decrease) | 38.3 | 37.2 |
| Future mortality (one-year increase) | 10.5 | 10.9 |

The above sensitivity analysis shows the impact on the defined benefit obligation only, not the net pension liability, as it does not take into account any impact on the asset valuation. Each sensitivity analysis disclosed in this note is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur.

### 6.3 Share-based payments

The Group operates an equity-settled share-based Performance Share Plan (PSP). Details of the plan are set out in the Remuneration Report, 'Long-Term Incentive Plan' section on page 101. An expense of $0.7 million (2022: $1.0 million) was recognised in the period 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 2023 '000 | Number of options 2022 '000 |
|---|---|---|
| **Outstanding at the beginning of the period** | 418 | 372 |
| Forfeited during the period | (222) | (165) |
| Exercised during the period | – | (74) |
| Granted during the period | 337 | 285 |
| **Outstanding at the end of the period** | 533 | 418 |

The weighted average remaining contractual life of outstanding share options is 18 months (2022: 17 months). All the share options that were exercised in the prior period vested on 20 December 2021 at a share price of £11.57.

A Monte Carlo simulation was used to calculate the fair value of awards granted that are subject to a total shareholder return performance condition. The fair value of other awards was calculated as the market price of the shares at the date of grant reduced by the present value of the dividends expected to be paid over the vesting period. Volatility is estimated based on experience over the last three years. Principal assumptions used to value awards each period were on average:

| **Key assumptions** | 2023 | 2022 |
|---|---|---|
| Weighted average fair value (£) | 8.83 | 9.07 |
| Closing share price at date of grant (£) | 10.63 | 11.41 |
| Expected volatility (%) | 54.0 | 43.9 |
| Risk-free interest rate (%) | 3.4 | 1.1 |
| Expected option term (years) | 3.0 | 3.0 |
| Dividend yield (%) | – | – |

## Section 7 – Other

### 7.1 Provisions for liabilities and charges

| | Warranty provisions $m | Property obligations $m | Contingent consideration $m | Offset provisions $m | Total $m |
|---|---|---|---|---|---|
| Balance at 2 October 2021 | – | 2.9 | 6.0 | – | 8.9 |
| Transferred from accruals during the period | 1.5 | – | – | – | 1.5 |
| Provision created during the period | 2.2 | 0.8 | – | – | 3.0 |
| Cash payments | (1.3) | – | (3.2) | – | (4.5) |
| Release of contingent consideration | – | – | (3.9) | – | (3.9) |
| Unwind of discount on provisions | – | – | 1.1 | – | 1.1 |
| Foreign exchange movements | (0.1) | (0.4) | – | – | (0.5) |
| **Balance at 1 October 2022** | 2.3 | 3.3 | – | – | 5.6 |
| Transferred from accruals during the period | – | – | – | 1.0 | 1.0 |
| Provision (released)/created during the period | (0.4) | 0.6 | – | 1.4 | 1.6 |
| Cash payments | (0.2) | – | – | – | (0.2) |
| Foreign exchange movements | 0.1 | 0.3 | – | – | 0.4 |
| **Balance at 30 September 2023** | 1.8 | 4.2 | – | 2.4 | 8.4 |

| **Analysis of total provisions** | 2023 $m | 2022 $m |
|---|---|---|
| Current | 0.4 | 0.7 |
| Non-current | 8.0 | 4.9 |
| | 8.4 | 5.6 |

Warranty provisions cover expected costs under guarantees provided with certain products. Warranty provisions were previously included within accruals. In the prior period warranty provisions were transferred from accruals to provisions for liabilities and charges, this being considered a more appropriate categorisation. Property obligations relate to leased premises of the Group which are subject to dilapidation risks and are expected to be utilised within the next 15 years.

The purchase consideration in relation to the 3M ballistic protection business acquisition included contingent consideration up to a maximum of $25.0 million depending on the outcome of certain tenders which were pending at the acquisition date and the level of sales which were generated on these contracts if secured. At acquisition the fair value of the contingent consideration was recognised as $20.0 million based on the expected value and timing of those payments after applying a discount rate of 12% to reflect the risk in the cash flows at that date.

The contract that triggered the contingent consideration was awarded shortly after the acquisition date with subsequent orders resulting in payments of $3.4 million in 2020 and $3.2 million in 2022. In 2022 the contractual order period closed with no further orders. As a result the remaining $3.9 million was released.

Offset provisions relate to the Group's estimated obligations under programme to generate economic value for a specific countries. The obligations are a direct result of specific sales and are expected to be utilised in the next three years. Offset provisions were previously included within accruals. During the period offset provisions were transferred from accruals to provisions for liabilities and charges, this being considered a more appropriate categorisation.

Property obligations and offset provisions are not subject to discounting as the impact would be immaterial.

### 7.2 Other financial commitments

| | 2023 $m | 2022 $m |
|---|---|---|
| Capital expenditure committed | 2.4 | 1.7 |

Capital expenditure committed represents the amount contracted in respect of property, plant and equipment at the end of the financial period for which no provision has been made in the financial statements.

## Section 7 – Other continued

### 7.3 Group undertakings

| | Registered office address | Activity | Country in which incorporated |
|---|---|---|---|
| **Held by Parent Company** | | | |
| Avon Polymer Products Limited | Hampton Park West, Melksham SN12 6NB, U.K. | The manufacture and distribution of respiratory protection systems | U.K. |
| Avon Protection Holdings Limited | Hampton Park West, Melksham SN12 6NB, U.K. | Investment holding company | U.K. |
| Avon Rubber Pension Trust Limited | Hampton Park West, Melksham SN12 6NB, U.K. | Pension fund trustee | U.K. |
| **Held by Group undertakings** | | | |
| Avon Protection Systems, Inc. | 503 8th St, Cadillac, MI 49601, United States | The manufacture and distribution of respiratory and ballistic protection systems | U.S. |
| Avon Rubber & Plastics, Inc. | 503 8th St, Cadillac, MI 49601, United States | Investment holding company | U.S. |
| Avon Protection Ceradyne, LLC | 4000 Barranca Parkway, Suite 100, Irvine, CA 92604, United States | The manufacture and distribution of ballistic protection systems | U.S. |
| Team Wendy LLC | 17000 St Clair Ave, Cleveland, OH 44110, United States | The manufacture and distribution of helmet systems | U.S. |
| Avon Technologies Limited | Hampton Park West, Melksham SN12 6NB, U.K. | Dormant company | U.K. |
| Avon Protection U.K. Limited | Hampton Park West, Melksham SN12 6NB, U.K. | Dormant company | U.K. |

Shareholdings are ordinary shares and all undertakings are wholly owned by the Group and operate primarily in their country of incorporation. All companies have the same financial year end. Avon Polymer Products Limited and Avon Protection Holdings Limited are exempt from the requirement to file audited accounts by virtue of section 479A of the Companies Act 2006 ('the Act'). All remaining U.K. subsidiaries are exempt from the requirement to file audited accounts by virtue of section 480 of the Act.

### 7.4 Related party transactions

Except in respect of the defined benefit pension scheme, internal transactions between Group companies and compensation of key management personnel, there were no related party transactions during the period or outstanding at the end of the period (2022: $nil). Transactions with the defined benefit pension scheme are disclosed in note 6.2. Key management compensation is disclosed in note 6.1.

## **Section 7 – Other** continued

### 7.5 Restatements

Prior period comparatives have been restated to present the Armour business as a discontinued operation, and to reclassify certain expenses in the Consolidated Statement of Comprehensive Income

Expense reclassifications include disclosure of research and development costs as a separate line item below gross profit, and recategorisation of selling and distribution costs. The change in accounting policy provides visibility of research and development costs on the face of the Consolidated Statement of Comprehensive Income when it was previously only reported in the Financial Review. Selling and distribution costs have been disaggregated into sales and marketing expenses, presented in a separate line below gross profit, and freight and distribution costs which have been reclassified into cost of sales.

This presentation reflects the way the business performance will be monitored in future, with separate disclosure of research and development appropriate as an integral part of operations. It is also consistent and comparable with common market practice and therefore provides reliable and more relevant information to the reader. Overall operating loss figures for the previous period remain unchanged as this is only a presentational restatement. A reconciliation of reported prior period to restated figures is presented below. Equivalent reconciliations for restatement of adjusted performance metrics are provided on page 119.

Consolidated Statement of Comprehensive Income for the 52 weeks ended 1 October 2022

| | Statutory total | | | | |
|---|---|---|---|---|---|
| **Continuing operations** | **Previously reported $m** | **Remove Armour $m** | **Research and development $m** | **Selling and distribution $m** | **Restated $m** |
| **Revenue** | 271.9 | (8.4) | – | – | 263.5 |
| Cost of sales | (193.7) | 20.1 | 8.8 | (9.8) | (174.6) |
| **Gross profit** | 78.2 | 11.7 | 8.8 | (9.8) | 88.9 |
| Selling and distribution costs / Sales and marketing expenses | (26.0) | 1.2 | – | 9.8 | (15.0) |
| Research and development costs | – | – | (10.2) | – | (10.2) |
| General and administrative expenses | (54.3) | 0.2 | 1.4 | – | (52.7) |
| **Operating profit/(loss)** | (2.1) | 13.1 | – | – | 11.0 |
| Net finance costs | (6.4) | 1.4 | – | – | (5.0) |
| **Profit/(loss) before tax** | (8.5) | 14.5 | – | – | 6.0 |

Armour discontinued operations (note 2.2)

| | Armour | | | |
|---|---|---|---|---|
| | **Previously reported $m** | **Research and development $m** | **Selling and distribution $m** | **Restated $m** |
| **Revenue** | 8.4 | – | – | 8.4 |
| Cost of sales | (20.1) | – | (1.2) | (21.3) |
| **Gross profit** | (11.7) | – | (1.2) | (12.9) |
| Selling and distribution costs / Sales and marketing expenses | (1.2) | – | 1.2 | – |
| Research and development costs | – | (0.2) | – | (0.2) |
| General and administrative expenses (including release of contingent consideration) | (0.2) | 0.2 | – | – |
| **Operating loss** | (13.1) | – | – | (13.1) |
| Net finance costs | (1.4) | – | – | (1.4) |
| **Loss before tax** | (14.5) | – | – | (14.5) |

Employee costs (note 6.1)

Comparative "wages and salaries" and total remunerations have each been increased by $4.5 million, with the restatement reflecting a correction to expense allocations. This is a disclosure restatement and does not have an impact on the Group's primary statements

| | **Previously reported $m** | **Allocation correction $m** | **Restated $m** |
|---|---|---|---|
| Wages and salaries | 66.3 | 4.5 | 70.8 |
| Total remuneration | 82.7 | 4.5 | 87.2 |

# PARENT COMPANY BALANCE SHEET
# AT 30 SEPTEMBER 2023

| | Note | 2023 £m | 2022 £m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Tangible assets | 4 | 3.8 | 4.4 |
| Finance leases | 5 | 0.9 | – |
| Investments in subsidiaries | 6 | 212.7 | 191.0 |
| Deferred tax assets | 7 | 1.2 | 2.5 |
| | | 218.6 | 197.9 |
| **Current assets** | | | |
| Trade and other receivables | 8 | 0.7 | 2.0 |
| Cash and cash equivalents | | 0.7 | 0.2 |
| | | 1.4 | 2.2 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Borrowings | 11 | 0.5 | 0.5 |
| Trade and other payables | 9 | 42.2 | 21.3 |
| | | 42.7 | 21.8 |
| **Net current liabilities** | | (41.3) | (19.6) |
| **Non-current liabilities** | | | |
| Borrowings | 11 | 5.0 | 5.1 |
| Provisions for liabilities and charges | 10 | 2.6 | 2.2 |
| | | 7.6 | 7.3 |
| **Net assets** | | 169.7 | 171.0 |
| **Shareholders' equity** | | | |
| Ordinary shares | 12 | 31.0 | 31.0 |
| Share premium account | | 34.7 | 34.7 |
| Capital redemption reserve | | 0.5 | 0.5 |
| Retained earnings | | 103.5 | 104.8 |
| **Total equity** | | 169.7 | 171.0 |

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account The profit for the Company for the period was £9.5 million (2022: profit of £15.3 million).

These financial statements on pages 166 to 173 were approved by the Board of Directors on 21 November 2023 and signed on its behalf by:

**Jos Sclater**
Chief Executive Officer

**Rich Cashin**
Chief Financial Officer

The accompanying accounting policies and notes form part of these financial statements.

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 30 SEPTEMBER 2023

| | Note | Share capital £m | Share premium £m | Capital redemption reserves £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|---|
| **At 2 October 2021** | | 31.0 | 34.7 | 0.5 | 109.1 | 175.3 |
| Profit for the year | 1 | – | – | – | 15.3 | 15.3 |
| Dividends paid | 2 | – | – | – | (10.5) | (10.5) |
| Own shares acquired | 12 | – | – | – | (9.3) | (9.3) |
| Fair value of share-based payments | 13 | – | – | – | 0.7 | 0.7 |
| Deferred tax relating to employee share schemes | 7 | – | – | – | (0.5) | (0.5) |
| **At 1 October 2022** | | 31.0 | 34.7 | 0.5 | 104.8 | 171.0 |
| Profit for the year | 1 | – | – | – | 9.5 | 9.5 |
| Dividends paid | 2 | – | – | – | (10.9) | (10.9) |
| Fair value of share-based payments | 13 | – | – | – | 0.6 | 0.6 |
| Deferred tax relating to employee share schemes | 7 | – | – | – | (0.5) | (0.5) |
| **At 30 September 2023** | | 31.0 | 34.7 | 0.5 | 103.5 | 169.7 |

# PARENT COMPANY ACCOUNTING POLICIES FOR THE 52 WEEKS ENDED 30 SEPTEMBER 2023

## Accounting policies
The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

## Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Accounting Standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken:

- presentation of a cash flow statement and related notes (IAS 7);
- comparative period reconciliations for share capital and intangible and tangible fixed assets (paragraph 38, IAS 1);
- transactions with wholly owned subsidiaries (IAS 24);
- capital management (paragraphs 134–136, IAS 1),
- share-based payments (paragraphs 45(b) and 46–52, IFRS 2);
- financial instruments (IFRS 7);
- compensation of key management personnel (paragraph 17, IAS 24),
- fair value measurement (paragraphs 91–99, IFRS 13);
- leases (paragraphs 90–93, IFRS 16);
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- the requirements of paragraph 18A of IAS 24 Related Party Disclosures.

Where required, equivalent disclosures are given in the Group financial statements

## Foreign currencies
The Company's functional currency is sterling as this is the currency of the primary economic environment in which the Company operates. Foreign currency transactions are recorded at the exchange rate ruling on the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the retranslation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

## Pensions
The Group operated a contributory defined benefit plan to provide pension and death benefits for the employees of Avon Protection plc and its Group undertakings in the U.K. employed prior to 31 January 2003 The scheme is closed to new entrants and was closed to future accrual of benefits from 1 October 2009. Scheme assets are measured using market values, while liabilities are measured using the projected unit method. One of the Company's subsidiaries, Avon Polymer Products Limited, is the employer that is legally responsible for the scheme and the pension obligations are included in full in its accounts. No asset or provision has been reflected in the Company's balance sheet for any surplus or deficit arising in respect of pension obligations.

The Company also provides pensions by contributing to defined contribution schemes The charge in the profit and loss account reflects the contributions paid and payable to these schemes during the period. Full disclosures of the U.K. pension schemes have been provided in the Group financial statements.

## Share-based payments
The Company operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

## Plant and equipment
Property, plant and equipment is stated at historical cost less accumulated depreciation and any recognised impairment losses.

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

Depreciation is provided to write down the depreciable amount of relevant assets by equal annual instalments over their estimated useful lives

In general, the lives used are:

- leasehold property – period of lease agreement.

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

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated net realisable value. Gains and losses on disposal are determined by comparing proceeds with carrying amounts

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

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

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

- leasehold property – period of the lease.

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

**Leases** continued

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

## Finance leases

The Company acts as an intermediate lessor for certain legacy commercial premises where they are no longer required for operations, and accounts for its interests in corresponding head leases and subleases separately.

Lease classification of the sublease between finance and operating is assessed with reference to the right of use asset arising from the head lease.

Finance lease assets are initially measured at the present value of the lease receipts due over the term of the lease. Receipts are discounted at the rate implicit in the sublease, or the corresponding head lease liability if the implicit rate cannot be readily determined.

## Investments in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

## Deferred taxation

Because of the differences between accounting and taxable profits and losses reported in each period, temporary differences arise on the amount certain assets and liabilities are carried at for accounting purposes and their respective tax values. Deferred tax is the amount of tax payable or recoverable on these temporary differences.

Deferred tax liabilities arise where the carrying amount of an asset is higher than the tax value (more tax deduction has been taken). This can happen where the Company invests in capital assets, as governments often encourage investment by allowing tax depreciation to be recognised faster than accounting depreciation. This reduces the tax value of the asset relative to its accounting carrying amount. Deferred tax liabilities are generally provided on all taxable temporary differences. The periods over which such temporary differences reverse will vary depending on the life of the related asset or liability.

Deferred tax assets arise where the carrying amount of an asset is lower than the tax value (less tax benefit which has been taken). Deferred tax assets are recognised only where the Company considers it probable that it will be able to use such losses by offsetting them against future taxable profits.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is calculated using the enacted or substantively enacted rates that are expected to apply when the asset is realised or the liability is settled.

## Trade and other receivables

Trade and other receivables are classified as measured at amortised cost. The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

## Cash and cash equivalents

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

## Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. They are initially recognised at fair value and subsequently held at amortised cost.

## Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be been reliably estimated.

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 52 WEEKS ENDED 30 SEPTEMBER 2023

## 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 £9.5 million (2022: £15.3 million).

The audit fee in respect of the Parent Company is set out in note 2.5 to the Group financial statements.

## 2 Dividends

Details of the Company's dividends are set out in note 5.6 to the Group financial statements.

## 3 Employees

The only employees of the Company during the current period were the CEO and the CFO to the Group. Detailed disclosures of the Executive Directors' remuneration packages are provided in the Remuneration Report on pages 86 to 107.

## 4 Tangible assets

| | **Right of use lease assets £m** |
|---|---|
| **Cost** | |
| At 1 October 2022 | 11.3 |
| Additions | – |
| **At 30 September 2023** | **11.3** |
| **Depreciation charge** | |
| At 1 October 2022 | 6.9 |
| Transfer to finance leases | (0.5) |
| Additions | 0.5 |
| Charge for the period | 0.6 |
| **At 30 September 2023** | **7.5** |
| **Net book value** | |
| **At 30 September 2023** | **3.8** |
| At 1 October 2022 | 4.4 |

Lease assets relate to the Company's leased properties. During the period one of the Company's properties was sub-let, resulting in the related right of use asset being reclassed to finance leases.

## 5 Finance leases

| | **Finance leases $m** |
|---|---|
| **At 1 October 2022** | – |
| Additions | 0.9 |
| Payments received | – |
| **At 30 September 2023** | **0.9** |

The Company subleases legacy commercial premises where they are no longer required for operations, resulting in lease assets being held on the balance sheet. A property was sublet in the period. Additions incorporate a £0.5 million transfer from tangible lease assets related to the property, plus a £0.4 million true up to the present value of the sub-lease receipts due over the term of the lease

Expected credit losses on finance lease assets are less than £0.1m, and have been considered immaterial.

## 6 Investments in subsidiaries

| | 2023 £m | 2022 £m |
|---|---|---|
| Opening net book value | 191.0 | 191.0 |
| Additions | 21.7 | – |
| Closing net book value | 212.7 | 191.0 |

During the period, the Company made an additional investment in Avon Protection Holdings Limited of £21.7 million.

The investments consist of a 100% (unless indicated 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 7.3 to the Group financial statements.

The impairment of the Head Protection CGU detailed further in note 3.1, was considered a potential indicator of impairment for the Company's investment in subsidiaries. A full impairment test was therefore performed, comparing the carrying value of investments in subsidiaries to recoverable amounts. The recoverable amount was determined based on value in use calculations for subsidiary groups, under an approach consistent with that detailed in note 3.1

This analysis demonstrated the value in use of investments in subsidiaries are substantially greater than carrying amounts. Sensitivity analysis has been performed which shows there are no reasonable changes in assumptions that would result in an impairment.

## 7 Deferred tax assets

| | Share options £m | Other temporary differences £m | Total £m |
|---|---|---|---|
| **At 2 October 2021** | 1.0 | 1.5 | 2.5 |
| Credited to profit for the year | 0.1 | 0.4 | 0.5 |
| Charged to equity | (0.5) | – | (0.5) |
| **At 1 October 2022** | 0.6 | 1.9 | 2.5 |
| Credited to profit for the year | **0.1** | **(0.9)** | **(0.8)** |
| Charged to equity | **(0.5)** | – | **(0.5)** |
| **At 30 September 2023** | **0.2** | **1.0** | **1.2** |

## 8 Trade and other receivables

| | 2023 £m | 2022 £m |
|---|---|---|
| Other receivables | 0.1 | 0.2 |
| Prepayments | 0.5 | 1.0 |
| Amounts owed by Group undertakings | 0.1 | 0.8 |
| | 0.7 | 2.0 |

Amounts due to Group undertakings are unsecured, are interest free, have no fixed date of repayment and are repayable on demand.

## 9 Trade and other payables

| | 2023<br>£m | 2022<br>£m |
|---|---|---|
| Trade payables | 0.4 | 0.3 |
| Accruals | 2.2 | 3.0 |
| Amounts due to Group undertakings | 39.6 | 18.0 |
| | 42.2 | 21.3 |

Amounts due to Group undertakings are unsecured, are interest free, have no fixed date of repayment and are repayable on demand. The increase during the period was mainly due to receipts from the Group's subsidiary Avon Polymer Products Limited.

## 10 Provisions for liabilities and charges

| | Property obligations<br>£m |
|---|---|
| **Balance at 2 October 2021** | 1.5 |
| Addition during the period | 0.7 |
| **Balance at 1 October 2022** | 2.2 |
| Addition during the period | 0.4 |
| **Balance at 30 September 2023** | 2.6 |

| **Analysis of total provisions** | 2023<br>£m | 2022<br>£m |
|---|---|---|
| Non-current | 2.6 | 2.2 |

Provisions relate to property obligations arising in relation to leased premises of the Company which are subject to dilapidation risks and are expected to be utilised within the next ten years. Property provisions are subject to uncertainty in respect of any final negotiated settlement of any dilapidation claims with landlords.

## 11 Borrowings

The Group has a revolving credit facility (RCF) with a total commitment of $200 million across six lenders with an accordion option of an additional $50 million. $142 million of the RCF facility matures on 8 September 2025. The remaining $58 million matures on 8 September 2024.

Further details regarding borrowings and credit risks are disclosed in note 5.4 to the Group financial statements.

| | 2023<br>£m | 2022<br>£m |
|---|---|---|
| **Current** | | |
| Lease liabilities | 0.5 | 0.5 |
| **Non-current** | | |
| Lease liabilities | 5.0 | 5.1 |
| **Total borrowings** | 5.5 | 5.6 |

The table below presents the contractual maturity analysis in respect of lease liabilities:

| | 2023<br>£m | 2022<br>£m |
|---|---|---|
| In one year or less, or on demand | 0.5 | 0.5 |
| Two to five years | 2.6 | 2.6 |
| More than five years | 2.4 | 2.5 |
| **Total lease liabilities** | 5.5 | 5.6 |

Lease liabilities relate to land and buildings (lease assets) leased by the Company for its office space and manufacturing facilities of U.K. trading subsidiaries.

## 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 Long-Term Incentive Plan (LTIP), details of which are disclosed in note 6.3 to the Group financial statements.

The Company recognises share-based payment charges for awards held by the CEO and the CFO. Share-based payment charges for other employees are recharged to the relevant subsidiary where material

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION
If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your bank manager, stockbroker, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all of your shares in Avon Protection plc, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

## Notice of Annual General Meeting for the year ended 30 September 2023

Notice is hereby given that the AGM of shareholders of Avon Protection plc ('the Company') will be held at Hampton Park West, Semington Road, Melksham, Wiltshire SN12 6NB on 26 January 2024 at 10:30am for the purposes set out below.

You will not receive a form of proxy for the AGM in the post. Instead, you will receive instructions to enable you to vote electronically and outlining how to register to do so. You may request a hard copy form of proxy directly from the Registrar, Link Group, via email at shareholderenquiries@linkgroup.co.uk, at Central Square, 29 Wellington Street, Leeds LS1 4DL or on 0371 664 0300 or +44 371 664 0300 if overseas.

### Ordinary business

To consider and, if thought fit, pass resolutions 1–14 (inclusive) as ordinary resolutions:

#### Resolution 1

To receive the Company's accounts and the reports of the Directors and the auditor for the year ended 30 September 2023.

#### Resolution 2

To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) for the financial year ended 30 September 2023.

#### Resolution 3

To approve the Directors' Remuneration Policy set out on pages 90 to 98 of the 2023 Annual Report.

#### Resolution 4

To declare a final dividend of 15.3 U.S. cents per ordinary share as recommended by the Directors.

#### Resolution 5

To re-elect Jos Sclater as a Director of the Company.

#### Resolution 6

To re-elect Rich Cashin as a Director of the Company.

#### Resolution 7

To re-elect Bruce Thompson as a Director of the Company.

#### Resolution 8

To re-elect Chloe Ponsonby as a Director of the Company.

#### Resolution 9

To re-elect Bindi Foyle as a Director of the Company

#### Resolution 10

To re-elect Victor Chavez CBE as a Director of the Company.

#### Resolution 11

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 12

To authorise the Directors to determine the auditor's remuneration

#### Resolution 13

That, in accordance with sections 366 and 367 of the Companies Act 2006 ('the Act'), the Company and all its subsidiaries during the period for which this resolution has effect be and are hereby authorised, in aggregate, to.

(a) make political donations to political parties or to independent election candidates not exceeding £100,000 in total;

(b) make political donations to political organisations (other than political parties) not exceeding £100,000 in total; and

(c) incur any political expenditure not exceeding £100,000 in total, during the period beginning with the date of the passing of this resolution and ending at the close of business on 27 December 2024 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.

#### Resolution 14

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):

(a) up to an aggregate nominal amount of £10,086,064 (such amount to be reduced by any allotments or grants made under paragraph (b)) below); and

(b) comprising equity securities (as defined by section 560 of the Act) up to an aggregate nominal amount of £20,172,129 (such amount to be reduced by any allotments or grants made under paragraph (a) above) in connection with a pre-emptive offer (including an offer by way of a rights issue or open offer):

 (i) to holders of ordinary shares in proportion (as nearly as practicable) to their existing holdings; and

 (ii) to holders of other equity shares as required by the rights of those securities or as the Directors otherwise consider necessary,

 but subject to such limits, restrictions, exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, regulatory or practical problems in, or under the laws of, any territory or any other matter,

such authority to 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 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.

## Special business

To consider and if thought fit, pass resolutions 15–18 (inclusive) as special resolutions and resolution 19 as an ordinary resolution:

### Resolution 15

That, subject to the passing of resolution 14, 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 be limited to:

(a) the allotment of equity securities and sale of treasury shares in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (b) of resolution 14, by way of a pre-emptive offer (including a rights issue or open offer)):

 (i) to holders of ordinary shares in proportion (as nearly as practicable) to their existing holdings; and

 (ii) to holders of other equity securities, as required by the rights attaching thereto, or as the Directors otherwise consider necessary,

and so that the Directors may impose such limits, restrictions or exclusions and make any arrangements which they deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, and

(b) in the case of the authority granted under paragraph (a) of resolution 14, the allotment of equity securities and/or sale of treasury shares (otherwise than under paragraph (a) above) up to a nominal amount of £3,025,819; and

(c) the allotment of equity securities or sale of treasury shares (otherwise than under paragraphs (a) or (b) above) up to a nominal amount equal to 20% of any allotment of equity securities or sale of treasury shares from time to time under paragraph (b) above, such authority to be used only for the purposes of making a follow-on offer which the Directors determine to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice,

such authority to 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, subject to the passing of resolution 14, the Directors be authorised, in addition to any authority granted under resolution 15, 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, such authority to be:

(a) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £3,025,819, to be used only for the purposes of financing (or refinancing, if the authority is to be used within 12 months after the original transaction) a transaction which the Directors determine 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

(b) limited to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a)) up to a nominal amount equal to 20% of any allotment of equity securities or sale of treasury shares from time to time under paragraph (a), such authority to be used only for the purposes of making a follow-on offer which the Directors of the Company determine to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice,

such authority to 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 17

That the Company be and is hereby unconditionally and generally authorised for the purpose of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of £1 each in the capital of the Company provided that:

(a) the maximum number of shares which may be purchased is 3,025,819;

(b) the minimum price (excluding expenses) which may be paid for each share is £1;

(c) the maximum price (excluding expenses) which may be paid for each ordinary share is an amount equal to the higher of:

 (i) 105% of the average of the middle market quotations of the Company's ordinary shares as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which such share is contracted to be purchased, and

 (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 trading venue where the purchase is to be carried out, including when the shares are traded on different trading venues.

such authority to 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 18

That a general meeting of the Company (other than an AGM) may be called on not less than 14 clear days' notice.

### Resolution 19

That the proposed amendment to the rules of the Avon Protection plc Long Term Incentive Plan (formerly called the Avon Rubber p.l.c Long Term Incentive Plan) (the LTIP') in connection with a proposed one-off matching award arrangement, in the form presented to the AGM and as summarised in the explanatory notes section of this Notice, be approved and the Directors be authorised to adopt the amendment into the rules of the LTIP and to do all such other acts and things as they may consider appropriate to implement the amendment.

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 19 will promote the success of the Company and is in the best interests of the Company and its shareholders as a whole. The Board unanimously recommends that all shareholders should vote in favour of all the resolutions to be proposed at the AGM. Each of the Directors of the Company intends to vote in favour of all resolutions in respect of their own beneficial holdings.

### Resolution 1 – Reports and accounts

The Directors are required by law to present to the AGM the accounts, and the reports of the Directors and auditor, for the year ended 30 September 2023. These are contained in the Company's 2023 Annual Report.

### Resolution 2 – Directors' Remuneration Report

This resolution seeks shareholders' approval of the Directors' Remuneration Report for the year ended 30 September 2023 contained on pages 99 to 107 of the 2023 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 – Directors' Remuneration Policy

This resolution seeks shareholders' approval for the new Directors' Remuneration Policy which is contained on pages 90 to 98 of the 2023 Annual Report.

It is intended that the Directors' Remuneration Policy will take effect immediately after the AGM and will replace the existing policy that was approved by shareholders in 2021. The vote is a binding vote and, subject to limited exceptions, no remuneration payment or loss of office payment may be made to a prospective, current or former Director unless consistent with the approved remuneration policy (or otherwise specifically approved by shareholders). It is anticipated that the Directors' Remuneration Policy will be in force for three years, although the Board will closely monitor regulatory changes and market trends and, if necessary, may present a revised policy within that three-year period.

The Directors' Remuneration Policy has been developed taking into account the principles of the U.K. Corporate Governance Code and the views of the Company's major shareholders.

### Resolution 4 – 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 2023 of 15.3 U.S. cents be paid. Subject to approval, the final dividend will be paid on 8 March 2024 to eligible shareholders on the Company's Register of Members at close of business on 9 February 2024. 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 5 to 10 – 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. Chloe Ponsonby will step down from the Board in 2024 when her replacement has been identified. 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 74 and 75 of the 2023 Annual Report.

### Resolutions 11 and 12 – 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 2023.

### Resolution 13 – 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 13, if passed, will give the Board authority to make political donations until the close of business on 27 December 2023 or, if sooner, the next AGM of the Company (when the Board intends to renew this authority), up to an aggregate of £100,000 for the Company and its subsidiary companies.

### Resolution 14 – 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:

(a) up to a maximum nominal amount of £10,086,064 (such amount to be reduced by any allotments or grants made under paragraph (b)) below), which is equal to approximately one-third of the issued share capital of the Company as at 21 November 2023; and

(b) comprising equity securities (as defined by section 560 of the Act) up to a maximum nominal amount of £20,172,129 (such amount to be reduced by any allotments or grants made under paragraph (a) above) in connection with a pre-emptive offer (including an offer by way of a rights issue or open offer), which is equal to approximately two-thirds of the issued share capital of the Company as at 21 November 2023.

The proposals in Resolution 14 are in line with the Investment Association ('IA') guidance, which confirms that an authority to allot up to two-thirds of the existing issued share capital continues to be regarded as routine business. The Directors consider it prudent to be aligned with the IA guidance to ensure that the Company has maximum flexibility in managing the Company's capital resources.

The Directors have no present intention of exercising this authority. The authority granted by this resolution will expire on the date 15 months after the date of this resolution or, if earlier, the date of the next AGM of the Company.

In this resolution, 'Relevant Securities' means:

(a) shares in the Company other than shares allotted pursuant to:

- an employee share scheme (as defined by section 1166 of the Act);
- a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or
- a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security; and

(b) any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Act). References to the allotment of Relevant Securities in this resolution include the grant of such rights.

As at 21 November 2023 (being the latest practicable business day prior to the publication of this Notice), the Company held 765,098 ordinary shares as treasury shares, representing 2.5% of the Company's issued share capital at that date.

**Resolutions 15 and 16 – Disapplication of pre-emption rights**
Resolutions 15 and 16 will, if passed, give the Directors power, pursuant to the authority to allot 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 and renews the authority given at the AGM in 2023.

The authority set out in Resolution 15 would be limited to:

(a) pre-emptive offers, including rights issues or open offers and offers to holders of other equity securities if required by the rights of those securities, or as the Directors otherwise consider necessary; and

(b) otherwise, allotments or sales up to an aggregate nominal amount of £3,025,819, which represents approximately 10% of the Company's issued share capital as at 21 November 2023;

(c) allotments or sales up to an additional aggregate nominal amount equal to 20% of any allotments or sales made under paragraph (b) such power to be used only for the purposes of making a follow-on offer of a kind contemplated by Section 2B of the Pre-emption Group 2022 Statement of Principles ('the Statement of Principles').

Resolution 16 is intended to give the Company flexibility to make non-pre-emptive issues of ordinary shares in connection with acquisitions and specified capital investments as contemplated by the Statement of Principles. The authority under Resolution 16 is in addition to that proposed by Resolution 15 and would be limited to:

(a) allotments or sales of up to an aggregate nominal amount of £3,025,819, which represents approximately 10% of the Company's issued share capital as at 21 November 2023; and

(b) allotments or sales up to an additional aggregate nominal amount equal to 20% of any allotments or sales made under paragraph (b) such power to be used only for the purposes of making a follow-on offer of a kind contemplated by Section 2B of the Statement of Principles.

The authority being sought in Resolution 16 will only be used in connection with such an acquisition or specified capital investment which is announced contemporaneously with the announcement of the issue, or which has taken place in the preceding 12 month period and is disclosed in the announcement of the issue.

The authorities sought in Resolutions 15 and 16 are in line with the Statement of Principles, which were revised in November 2022.

The Directors have no present intention to exercise the authorities conferred by Resolutions 15 and 16, but will have due regard to the Statement of Principles in relation to any such exercise. If the powers sought by Resolutions 15 or 16 are used in relation to a non-pre-emptive offer, the Directors confirm their intention to follow the shareholder protections in paragraph 1 of Part 2B of the Statement of Principles and, where relevant, follow the expected features of a follow-on offer as set out in paragraph 3 of Part 2B of the Statement of Principles.

The authority granted by Resolutions 15 and 16 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 17 – Authority to purchase own shares**
This resolution seeks a renewal of the authority for the Company to make market purchases of its own shares and is proposed as a special resolution. If passed, the resolution gives authority for the Company to purchase up to 3,025,819 ordinary shares of £1 each, representing approximately 10% of the Company's issued share capital as at 21 November 2023.

The resolution specifies the minimum and maximum prices which may be paid for any ordinary shares purchased under this authority. The Company did not purchase any shares in the period from the last AGM to 21 November 2023 under the existing authority.

The Directors have no present intention of exercising the authority to make market purchases, however, the authority provides the flexibility to allow them to do so in the future.

The Directors will exercise this authority only when, in light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase the earnings per ordinary share having regard to the intent of the guidelines of institutional investors and that such purchases are in the best interests of shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account before deciding upon this course of action. In the event of any purchase under this authority, the Directors would either hold the purchased ordinary shares in treasury or cancel them. As at 21 November 2023 (being the latest practicable business day prior to the publication of this Notice), the Company held 765,098 ordinary shares in treasury.

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 30 September 2023, there were options to subscribe outstanding over 532,577 shares, representing 1.76% of the Company's issued share capital. If the authority given by resolution 17 were to be fully exercised, these options would represent 1.96% of the Company's issued share capital after cancellation of the re-purchased shares. As of 21 November 2023, there were no warrants outstanding over shares.

The authority will expire on the earlier of the date 15 months after the date of this resolution and the Company's next AGM.

**Resolution 18 – Notice of Meeting**
Resolution 18 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 18 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.

## Explanatory notes relating to the resolutions continued

### Resolution 19 – Amendment to the rules of the LTIP

The Avon Protection plc Long Term Incentive Plan (formerly called the Avon Rubber p.l.c. Long Term Incentive Plan) ('the LTIP') is the Company's long-term incentive arrangement for the Company's executive directors and other selected employees.

Since its approval by shareholders in January 2019, the LTIP has provided for annual share-based awards ordinarily vesting on their third anniversary of grant subject to the participant's continued service and the extent to which performance criteria are met over a three year measurement period.

The rules of the LTIP include best practice features, including in respect of its good and bad leaver terms, malus and clawback provisions and the requirement for post vesting holding periods for awards to the Company's executive directors.

The proposed new Directors' Remuneration Policy (proposed under Resolution 3) envisages that the LTIP will be used to grant one-off matching awards to the Company's CEO and CFO in respect of the current financial year within six weeks of the AGM or as soon as reasonably practicable thereafter, in lieu of the normal LTIP grant referred to above.

As further explained in the new Directors' Remuneration Policy, under the terms of the proposed matching award arrangement:

(a) to be eligible for the grant of any matching award the CEO and CFO need to have first acquired shares in the Company with their own funds and agreed for such shares to be designated as 'investment shares' for the purposes of the matching award arrangement (with the aggregate purchase cost of such investment shares not exceeding 100% of their annual salary);

(b) subject to the cap noted below, the number of shares over which the CEO and CFO's matching awards would be granted would be determined by dividing the result of four times the respective sums invested (of no more than one times their salary) by the market value of shares at the time of the grant of the matching awards (using a short averaging period);

(c) the matching awards to the CEO and CFO may not be granted over more than 267,656 shares and 182,344 shares respectively;

(d) stretching performance conditions relating to earnings per share and return on invested capital targets set for the financial year of the Company ending 30 September 2026 will apply to the matching awards;

(e) the matching awards would be forfeit pro-rata to any disposal of the grantee's relevant related shares (the investment shares) prior to the end of the period in respect of which the performance conditions are assessed;

(f) the matching awards would have associated normal vesting dates of the third anniversary of their grant in respect of two-thirds of the each matching award, and an associated normal vesting date of the fourth anniversary of their grant date in respect of the balance of each matching award; and

(g) a post vesting holding period (net of sales for tax) would ordinarily apply through until the fifth anniversary of the grant of the matching awards.

The LTIP can accommodate the design of the proposed awards except that the current terms of the LTIP provide that participants may not receive awards under the LTIP in any financial year over shares having a market value in excess of 175% of their annual base salary in that financial year.

To facilitate the grant of the proposed matching awards under the LTIP, Resolution 19 seeks shareholder approval to amend the rules of the LTIP to provide that its normal per participant per financial year award limit shall not apply to the matching awards; instead, the amended rules of the LTIP would restrict the number of shares over which such one-off matching awards may be granted to no more than the maximums noted in paragraph (c) above.

No other changes are proposed to the LTIP.

Normal LTIP policy is envisaged in respect of subsequent financial years.

The rules of the LTIP in the proposed amended form will be available for inspection from the date of this Notice on the National Storage Mechanism (accessible at https://data.fca.org.uk/#/nsm/nationalstoragemechanism) and will also be available for inspection at the place of the AGM for at least 15 minutes before and during the AGM.

## Notice of Meeting notes

The following notes explain your general rights as a shareholder and your right to attend and vote at this AGM or to appoint someone else to vote on your behalf.

1. To be entitled to vote on the business of the AGM (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the Register of Members of the Company by close of business on 24 January 2024. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to vote on the business of the AGM.

2. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the AGM. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company.

3. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).

4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.

5. You can vote either:
   - by logging on to www.signalshares.com and following the instructions,
   - you may request a hard copy form of proxy directly from the Registrar, Link Group, on Tel: 0371 664 0300 (+44 371 664 0300 if overseas). Calls are charged at the standard geographical rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00 am and 5:30 pm, Monday to Friday excluding public holidays in England and Wales; or
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

   In order for a proxy appointment to be valid, a form of proxy must be completed. In each case the form of proxy must be received by Link Group at 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL by 10:30 am (GMT) on 24 January 2024.

6. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraphs 8 and 9 below) will not prevent a shareholder attending the AGM and voting in person if they wish to do so.

7. 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.

8. 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. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message ('a CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear U.K. & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 10.30 am (U.K. time) on 24 January 2024. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

9. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear U.K. & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

10. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 10.30 am on 24 January 2024 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

11. Unless otherwise indicated on the Form of Proxy, CREST, Proxymity or any other electronic voting instruction, the proxy will vote as they think fit or, at their discretion or withhold from voting.

12. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.

13. As at 21 November 2023 (being the latest practicable business day prior to the publication of this Notice), the Company's issued share capital consists of 30,258,194 ordinary shares of £1 each, carrying one vote each. 765,098 ordinary shares of £1 each are held in treasury. These shares are not taken into consideration in relation to the payment of dividends or voting. Therefore, the total voting rights in the Company as at 21 November 2023 are 30,258,194.

14. The Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a shareholder attending the AGM, unless one of the following applies: (i) to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

15. A copy of this notice, and other information required by section 311A of the Act, can be found at www.avon-protection-plc.com.

16. 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.

17. The following documents are available for inspection at our registered office from the date of this Notice until the conclusion of the AGM and at the place of the meeting from at least 15 minutes prior to and during the meeting until its conclusion:

   - copies of the Directors' letters of appointment or service contracts;
   - a copy of the draft rules of the LTIP; and
   - a copy of the current Articles of Association of the Company.

   Scanned copies are also be available on request from the Company Secretary.

18. 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.

19. The Company may process personal data of attendees at the AGM. This may include photos, recordings and audio and video links, as well as other forms of personal data. The Company shall process such personal data in accordance with its privacy policy, which can be found at www.avon-protection-plc.com.

## GLOSSARY OF ABBREVIATIONS

| Term | Explanation |
|---|---|
| **50 series** | Range of masks based on the proven technology of the M50 mask system |
| **ACH GEN II** | Second-generation Advanced Combat Helmet |
| **AGM** | Annual General Meeting |
| **APC** | Avon Protection Ceradyne |
| **CBRN** | Chemical, biological, radiological and nuclear |
| **CGU** | Cash-generating unit |
| **DOD** | Department of Defense |
| **EMEA** | Europe, Middle East, and Africa |
| **ESG** | Environmental, social and corporate governance |
| **ESPP** | Employee Stock Purchase Plan |
| **FTSE** | Financial Times Stock Exchange |
| **FX** | Foreign exchange |
| **FY** | Financial year |
| **GHG** | Greenhouse Gas |
| **GSR** | General Service Respirator |
| **H1/H2** | First half of the financial year (October–March)/second half of financial year (April–September) |
| **ITAR** | International Traffic in Arms Regulation |
| **KPIs** | Key Performance Indicators |
| **LTIP** | Long-Term Incentive Plan |
| **MiTR** | Modular Integrated Tactical Respirator |
| **MOD** | Ministry of Defence |
| **NATO** | North Atlantic Treaty Organization |
| **NFPA** | National Fire Protection Association |
| **NG IHPS** | Next Generation Integrated Head Protection System |
| **NSPA** | The NATO Support and Procurement Agency, the executive body of the NATO Support and Procurement Organisation (NSPO, of which all 30 NATO nations are members) |
| **PAPR** | Powered Air Purifying Respirator |
| **PSP** | Performance Share Plan |
| **SBU** | Strategic Business Unit |
| **SCBA** | Self-Contained Breathing Apparatus |
| **SIP** | Share Incentive Plan |
| **SSA** | Special Security Agreement |
| **$tCO_2e$** | The amount of greenhouse gases emitted during a given period, measured in metric tons of carbon dioxide equivalent |
| **TCFD** | Task Force on Climate-Related Financial Disclosures |
| **TSR** | Total shareholder return |
| **UN SDGs** | United Nations Sustainable Development Goals |

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