

AVON PROTECTION HOLDINGS LIMITED

DIRECTORS' REPORT

Directors: Miles Ingrey-Counter
Paul McDonald (Resigned 30 September 2022)
Nick Keveth (Resigned 31 March 2022)
Rich Cashin (Appointed 31 March 2022)
Jos Sclater (Appointed 16 January 2023)

Secretary: Miles Ingrey-Counter
Registered Office: Hampton Park West
Semington Road
Melksham
Wiltshire SN12 6NB

Avon Protection Holdings Limited is a private limited company incorporated, domiciled and registered in England and Wales. The registered number is 00216584.

STRATEGIC REPORT

The directors present their strategic report for the period ended 01 October 2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment company. In July 2021, the Company changed its name from Avon Rubber Overseas Limited to Avon Protection Holdings Limited.

The profit for the financial period amounts to \$8,105,620 (2021: \$6,500,797). The profit arose primarily from interest charged on intercompany loans with a total loan value of \$159,878,030 (2021: \$167,920,434).

Interest payable relates to a revolving credit facility from which \$53,725,000 was drawn down at the end of the period. For further details see page 149 of the Avon Protection plc Group Annual Report and Accounts 2022.

The business is subject to a number of risks and uncertainties. Discussion of these risks and uncertainties, in the context of the Avon Protection plc Group, is provided on pages 62-69 of the Group Annual Report and Accounts 2022, together with an analysis of key performance indicators which the Group employs.

The Company will continue to operate as an investment company, holding investments within the Avon Protection plc group of companies.

DIRECTORS REPORT

The directors present the annual report and financial statements of the Company for the period ended 01 October 2022.

DIVIDENDS

During the financial period the directors recommended, and the Company paid, dividends totalling \$28,500,000 (2021: \$21,000,000).

On 28 February 2023, the directors recommended, and the Company paid, a dividend totalling \$9,000,000.

FINANCIAL INSTRUMENTS

The Company uses financial instruments comprising borrowings and cash resources. The main risk arising from the company's financial instruments is interest rate risk.



DIRECTORS REPORT (CONTINUED)

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 a period of 12 months from the balance sheet date which indicates that, taking account of reasonably possible downsides, the Company will have sufficient funds and support from the parent holding to meet its liabilities as they fall due for that period.

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

DIRECTORS AND SHARE INTERESTS

The directors of the Company who were in office during the period and up to the date of signing the financial statements are listed on page 1.

None of the directors had a beneficial interest in the shares of the Company.

The beneficial interests of Paul McDonald, Nick Keveth and Rich Cashin in the shares and share options of the ultimate parent company, Avon Protection plc, are disclosed in the financial statements of that company. Jos Sclater did not have any beneficial interests in the shares and share options of the ultimate parent company during the reported period.

At the end of the financial period Miles Ingrey-Counter held shares in Avon Protection plc totalling 30,583 (2021: 27,253).

Under the Performance Share Plan, a description of which is given in the Annual Report and Accounts of the ultimate parent company Avon Protection plc, the following options have been granted to Miles Ingrey-Counter:

Granted 2018/19 (for the qualifying period ending 02 Oct 2021)	Granted 2019/20 (for the qualifying period ending 01 Oct 2022)	Granted 2020/21 (for the qualifying period ending 30 Sep 2023)	Total option awards outstanding at 02 Oct 2021	Vested during the period	Lapsed during the period	Granted 2021/22 (for the qualifying period ending 28 Sep 2024)	Total option awards outstanding at 01 Oct 2022
11,718	9,832	6,918	28,468	(5,859)	(5,859)	20,631	37,381

DIRECTORS' INDEMNITIES

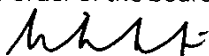
In accordance with the Company's Articles and subject to the provisions of the Companies Act 2006 ('the Act'), the Company maintains, at its expense, Directors' and Officers' insurance to provide cover in respect of legal action against its directors. This was in force throughout the financial period and remain 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.

POLITICAL CONTRIBUTIONS

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the period.

By order of the board



Miles Ingrey-Counter,
Company Secretary
23 June 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practices (United Kingdom accounting standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the 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 Company and prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board



Miles Ingre-Counter
Company Secretary

23 June 2023

AVON PROTECTION HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE 52 WEEKS ENDED 01 OCTOBER 2022

	52 weeks ended 01 October 2022 ¹ \$	53 weeks ended 02 October 2021 ¹ \$
General and administrative expenses	(243)	-
Operating profit	(243)	-
Interest receivable and similar income (note 3)	9,616,218	6,547,871
Interest payable and similar charges (note 3)	(1,510,355)	(47,074)
Profit before taxation	8,105,620	6,500,797
Taxation (note 4)	-	-
Profit for the period	8,105,620	6,500,797
Items that may be reclassified to profit or loss		
Cash flow hedges	497,618	-
Current tax relating to cash flow hedges	(119,428)	-
Total comprehensive income for the period	8,483,810	6,500,797

The Company has no recognised gains or losses, in the current or prior period, other than those included in the results above.

All results derive from continuing operations in both the current and prior periods.

¹ In previous periods, the Company reported financial statement to 30 September, this being the Company's accounting reference date. Headings for the current and prior period now show the actual dates to which the financial statements were drawn up. This has no impact on previously reported numbers.

AVON PROTECTION HOLDINGS LIMITED

BALANCE SHEET **AT 01 OCTOBER 2022**

	At 01 October 2022 ¹ \$	At 02 October 2021 ¹ \$
Assets		
Non-current assets		
Investments in subsidiaries (note 5)	78,388,757	78,388,757
Amounts owed by Group undertakings	159,878,030	167,920,434
Derivative financial instruments (note 7)	341,224	-
	<u>238,608,011</u>	<u>246,309,191</u>
Current assets		
Amounts owed by Group undertakings	5,389,287	5,437,534
Cash and cash equivalents	566,538	14,114
Derivative financial instruments (note 7)	156,394	-
	<u>6,112,219</u>	<u>5,451,648</u>
Liabilities		
Current liabilities		
Accruals	82,004	25,851
Corporation tax	119,428	-
	<u>201,432</u>	<u>25,851</u>
Net current assets	<u>5,910,787</u>	<u>5,425,797</u>
Non-current liabilities		
Borrowings (note 6)	53,725,000	40,925,000
Net assets	<u>190,793,798</u>	<u>210,809,988</u>
Shareholders' equity		
Called up share capital (note 8)	164,038,864	63,465,813
Capital contribution reserve	-	100,573,051
Cash flow Hedging Reserve	378,190	-
Retained earnings	26,376,744	46,771,124
Total equity	<u>190,793,798</u>	<u>210,809,988</u>

For the 52 weeks until 01 October 2022 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies

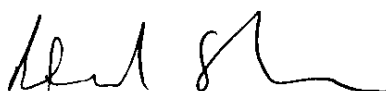
Directors' responsibilities:

- the members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts

These financial statements on pages 4 to 11 were approved by the board of directors on 23 June 2023 and were signed on its behalf by:



Miles Ingrey-Counter
Director



Rich Cashin
Director

The notes on pages 7 to 11 form part of the financial statements.

AVON PROTECTION HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 01 OCTOBER 2022

	Called up share capital	Capital contribution reserve	Cashflow Hedge reserve	Retained earnings	Total equity
	\$	\$	\$	\$	\$
At 26 September 2020 ¹	63,465,813	-	-	61,270,327	124,736,140
Profit for the period	-	-	-	6,500,797	6,500,797
Capital contribution	-	100,573,051	-	-	100,573,051
Dividends	-	-	-	(21,000,000)	(21,000,000)
At 02 October 2021 ¹	63,465,813	100,573,051	-	46,771,124	210,809,988
Profit for the period	-	-	-	8,105,620	8,105,620
Capital contribution	-	(100,573,051)	-	-	(100,573,051)
Share capital	100,573,051	-	-	-	100,573,051
Interest rate swaps - Cashflow hedge	-	-	497,618	-	497,618
Current tax on interest rate swaps	-	-	(119,428)	-	(119,428)
Dividends	-	-	-	(28,500,000)	(28,500,000)
At 01 October 2022 ¹	164,038,864	-	378,190	26,376,744	190,793,798

In the prior period, Avon Protection Holdings Limited received a fully paid capital contribution of \$100,573,051 to support the funding of Team Wendy LLC acquisition from its immediate parent company Avon Protection plc.

In the current financial period, 77,304,384 ordinary shares of £1 each in the Company were issued to the Parent Company (\$100,573,051). The allotment of issued shares being satisfied by conversion of the capital contribution to called up share capital.

¹ In previous periods, the Company reported financial statement to 30 September, this being the Company's accounting reference date. Headings for the current and prior period now show the actual dates to which the financial statements were drawn up. This has no impact on previously reported numbers.

AVON PROTECTION HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The Company is a private company limited by shares, incorporated, domiciled and registered in England and Wales under the Companies Act 2006. The Company registration number is 00216584. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 1.

These financial statements are presented in U.S Dollars (USD), which is the functional currency of the Company.

The financial period presents 52 weeks ended 01 October 2022 (prior financial period 53 weeks ended 02 October 2021). The Company previously reported that the reporting date for the latest annual financial statements was 30 September 2021, being the Company's accounting reference date. The actual date to which the financial statements were drawn up was 02 October 2021 and therefore the headings of the financial statements have been amended accordingly. This has no impact on previously reported numbers.

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.

The financial statements have been prepared on a going concern basis and in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and under the historical cost convention except for financial assets and liabilities (including derivative instruments) held at fair value through profit and loss.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes (IAS 7);
- Disclosures in respect of transactions with wholly owned subsidiaries (IAS 24); and
- Disclosures in respect of capital management (paragraph 134-136, IAS 1)

As the consolidated statements of Avon Protection plc include the equivalent disclosures, the Company has also taken exemptions under FRS101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 2 Share-based payments;
- Disclosures required by IFRS 7 Financial Instruments; and
- Disclosures in relation to compensation of key management personnel.

Exchange Rates

Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange at the balance sheet date or the rate of exchange at which the transaction is contracted to be settled in the future. Exchange differences are taken to the profit and loss account in the period in which they arise.

Fixed Asset Investments

Fixed asset investments are stated at cost less amounts written off to reflect any permanent diminution in value. Investments acquired as part of a group reorganisation are initially recorded at fair value.

Derivative financial instruments and hedging

The Company classifies outstanding forward exchange contracts, interest rate swaps and corresponding hedged items as cash flow hedges and states them at fair value through the Statement of Comprehensive Income. Any ineffective portion of the hedge is recognised immediately in the income statement.

Impairment of Fixed Asset Investments

Impairment reviews are undertaken if events or changes in circumstances indicate that the carrying amount of the fixed asset investments may not be recoverable. If the carrying amount exceeds its recoverable amount (being the higher of the value in use and the net realisable value) then the fixed asset investment is written down accordingly.

NOTES TO THE FINANCIAL STATEMENTS

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost using the effective interest rate 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.

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). Deferred tax liabilities are generally fully provided on all taxable temporary differences. The periods over which such temporary differences will reverse will vary depending on the life of the related asset or liability.

Deferred tax assets arise where the carrying amount of an asset is lower than the tax value (less tax benefit has been taken). Deferred tax assets are only recognised where the Company considers it probable that it will be able to use such losses by offsetting them against future taxable profits.

Deferred tax is calculated using the enacted or substantively enacted rates that are expected to apply with 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.

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 item to which they relate.

Amounts owed by Group undertakings

Amounts owed by fellow group undertakings are stated at cost after deduction of provision for impairment.

Amounts owed to Group undertakings

Amounts owed to fellow group undertakings are stated at cost.

Equity

Equity comprises the following:

'Called up share capital' represents the nominal value of equity shares.

'Capital contribution reserve' represents additional capital investment into the Company.

'Retained earnings' represents retained profit.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Interest receivable and Interest payable

Interest receivable and interest payable is recognised in profit and loss as it accrues, using the effective interest rate method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established.

NOTES TO THE FINANCIAL STATEMENTS

2. EMPLOYEES

The Company does not have any employees (2021: nil). Paul McDonald (resigned 30 September 2022), Nick Keveth (resigned 31 March 2022), Rich Cashin (appointed 31 March 2022) and Jos Sclater (appointed 16 January 2023) are employed by the ultimate parent company, Avon Protection plc. Miles Ingrey-Counter is employed by another group company Avon Polymer Products Limited.

Directors' Remuneration

There were no directors' emoluments paid by the Company (2021: nil). The services of the directors to the Company are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the company paying their emoluments.

3. FINANCE INCOME AND COSTS

	2022	2021
	\$	\$
Interest receivable from subsidiary undertaking	9,616,218	6,547,871
Total interest receivable and similar income	9,616,218	6,547,871
Interest payable on borrowings	(1,510,355)	(47,074)
Total interest payable and similar expense	(1,510,355)	(47,074)

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of charge

	2022	2021
	\$	\$
Current tax		
UK corporation tax payable	119,428	-
	119,428	-

The standard rate of corporation tax in the UK of 19.0% (2021: 19.0%).

The corporation tax payable in the current period relates to cashflow hedges and has been charged directly to other comprehensive income.

b) Factors affecting current tax charge

	2022	2021
	\$	\$
Profit on ordinary activities before taxation	8,105,620	6,500,797
Profit on ordinary activities at the average standard UK tax rate of 19.0% (2021: 19.0%)	1,540,068	1,235,151
Group relief claimed	(1,540,068)	(1,235,151)
Current tax charge for the period	-	-

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENT IN SUBSIDIARIES

The Company holds investments in the following subsidiaries:

Company	Registered address	office	Activity	Country of incorporation	Shareholding %
Held by the Company					
Avon Rubber & Plastics Inc.	503 8 th St, Cadillac, MI 49601, United States		Investment holding company	USA	100%
Held by a subsidiary					
Avon Protection Systems Inc.	503 8 th St, Cadillac, MI 49601, United States		The manufacture and distribution of respiratory and ballistic protection systems	USA	100%
Avon Protection Ceradyne, LLC	4000 Barranca Parkway, Suite 100, Irvine, CA 92604, United States		The manufacture and distribution of ballistic protection systems	USA	100%
Team Wendy LLC	17000 St. Clair Avenue, Bldg.1 Cleveland, OH 44110		The manufacture and distribution of ballistic protection systems	USA	100%

All shareholdings are ordinary shares.

In the opinion of the directors, the value of the Company's investment in its subsidiaries is not less than that stated in the balance sheet.

6. NON-CURRENT LIABILITIES

The Group has a revolving credit facility (RCF) with a total commitment of \$200 million across six lenders. \$142 million of the facility matures on 08 September 2025. The remaining \$58 million matures on 08 September 2024, subject to a one-year extension option to 08 September 2025.

In the current period, Avon Protection Holdings Limited drew down a further \$12.8 million of this facility to a total value of \$53.7 million (2021 \$40.9 million). The RCF is floating rate priced on the Secured Overnight Financing Rate (SOFR) plus a margin of 1.45-2.35% depending on leverage.

For further details see page 149 of the Avon Protection plc Group Annual Report and Accounts 2022.

7. DERIVATIVE FINANCIAL INSTRUMENTS – INTEREST RATE SWAPS

	2022	2021
	\$	\$
Current	156,394	-
Non-Current	341,224	-
	497,618	-

	At 02 October 2021	Cash flow	Non-cash movements	At 01 October 2022
	\$	\$	\$	\$
Interest rate swaps	-	-	497,618	497,618

The RCF is floating rate priced using the Secured Overnight Financing Rate (SOFR). In 2022, the Company has implemented a new hedging policy using interest rate swaps to fix a portion of SOFR floating rate interest. The notional value of interest rate swaps at 01 October 2022 was \$30.0 million (2021: \$nil), expiring on 08 September 2025 in line with the RCF.

After taking account of hedging, a 1.0% increase in SOFR would increase interest payable on bank loans by \$0.2 million (2021: \$0.2 million).

NOTES TO THE FINANCIAL STATEMENTS

8. CALLED UP SHARE CAPITAL

	2022	2021
	\$	\$
Authorised, allotted, called up and fully paid		
1 ordinary shares of £1 each at the beginning of the period	63,465,813	63,465,813
Issue of ordinary shares of £1 each	100,573,051	-
Authorised, allotted, called up and fully paid		
1 ordinary shares of £1 each at the end of the period	164,038,864	63,465,813

In the period 77,304,384 additional ordinary shares of £1 each were authorised, allotted and called up. These shares were issued to the immediate parent company Avon Protection plc on 14 March 2022 from the 2021 capital contribution reserve which had a value of \$100,573,051.

9. RELATED PARTIES

The Company has taken advantage of FRS 101 which exempts the Company from disclosing transactions entered into with other Group companies, provided those companies are also wholly owned.

10. ULTIMATE CONTROLLING PARTY

The immediate and ultimate controlling party and parent company is Avon Protection plc, incorporated and registered in England and Wales, by virtue of its 100% interest in the equity share capital of the Company. Copies of the consolidated financial statements may be obtained by contacting Avon Protection plc, Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB or by visiting www.avon-protection.com.

11. POST BALANCE SHEET EVENTS

On 28 February 2023, the directors recommended, and the Company paid, a dividend totalling \$9,000,000 to its immediate parent company Avon Protection plc.