AVON PROTECTION PLC
INTERIM RESULTS FOR THE HALF YEAR ENDED 2 APRIL 2022
AND BOARD UPDATE

Board Update

Bruce Thompson, Chair: "Today, we are announcing that, after 5 years as CEO and 19 years with the company, Paul McDonald will be stepping down as CEO at the end of this financial year. Beyond this date, he has agreed to make himself available to support the transition to a new CEO.

Paul has been instrumental in the transformation of Avon Protection into a world leader in respiratory and head protection technology, and I am grateful for his dedication and commitment during his tenure. A search will be initiated to identify a successor with the skill set to manage the complex challenges and opportunities ahead and deliver value for all stakeholders, and the Board will update the market at the appropriate time."

Interim Results

ADDRESSING CHALLENGES, OPPORTUNITIES AHEAD

Paul McDonald, Chief Executive Officer:

"The first six months of FY22 has seen both challenge and opportunity for the Group.

While we have experienced some specific issues impacting profitability, they have been identified. We are working proactively to address them.

The requirement for our world-leading, high-tech products has never been stronger. Our global customers are adjusting to the structurally higher threat environment and, against this backdrop, we remain confident in a return to growth."

	02 April 2022	03 April 2021 (restated) [3, 6]	Organic Change (constant currency)[5]
Respiratory and Head Protection[2]			
Orders received	**$113.6m**	$167.9m	(33.8%)
Closing order book	**$110.7m**	$131.5m	(15.3%)
Revenue	**$119.4m**	$118.1m	(1.1%)
Adjusted[1] EBITDA	**$12.5m**	$22.5m	(47.6%)
Adjusted[1] operating profit	**$5.1m**	$16.8m	(72.6%)
Adjusted[1] profit before tax	**$3.6m**	$15.5m	(80.0%)
Adjusted[1] basic earnings per share	9.1c	40.1c	(80.6%)
Armor[2]			
Revenue	**$2.5m**	$3.9m	(35.9%)
Adjusted[1] operating loss	**($6.3m)**	($4.3m)	(46.5%)
Adjusted[1] loss before tax	**($6.4m)**	($4.5m)	(42.2%)

Group			
Interim dividend per share	14.3c	14.3c	-
Net debt excluding lease liabilities	$56.6m	$12.9m	338.8%
Statutory results			
Revenue	$121.9m	$122.0m	
Operating (loss)/profit[4] from continuing operations	($10.7m)	$3.4m	
(Loss)/profit before tax from continuing operations	($13.6m)	$0.4m	
Basic (losses) / earnings per share from continuing operations	(34.9c)	1.6c	
Net debt	$83.3m	$44.1m	

Strategic and operational headlines

- Solid order intake of $113.6m in the first half, a reduction as expected against the strong prior year comparable, and with continued delays in U.S. DOD ordering
- Active engagement with European and North American customers following the start of hostilities in Ukraine
  - We expect to see a significant shift in demand in the short, medium and longer term
- Next-generation Integrated Head Protection System (IHPS NG) helmet submitted for first article testing in March
- Award of second-generation Advanced Combat Helmet (ACH GEN II) contract for the U.S. DOD
- Corrective actions underway to address identified operational challenges
  - Improved forward ordering to anticipate future demand, now possible in higher demand environment
  - Implementation of the announced $15m overhead reduction programme on track and additional $6m reduction now planned

Financial headlines

- Revenue broadly flat – despite headwinds of delayed U.S. Budget approval and delayed expenditure in U.S. first responder market
- Adjusted EBITDA margin of 10.5%, down 860bps, reflecting a combination (in broadly equal proportions) of product mix shift and operational challenges, including supply chain issues
- Leverage of 2.6x EBITDA (on a bank covenant basis), under the 3.0x covenant
  - Leverage expected to reduce as receipts build and profit recovers
  - Half of the announced £18.5m buy-back now completed, second half on hold to enable further organic investment to meet elevated demand levels and to allow for leverage stability
- Dividend of 14.3 cents per share reflects confidence in the medium and long-term prospects of the Group

Outlook

FY22

- Opening order book of $111m provides good visibility into H2
- A very strong macro demand environment drives medium-term confidence, but volatility of funding and timing of customer orders gives rise to risk to the H2 outlook on revenue mix
- Revenue mix risk flows into margin expectations for the remainder of the current year
- The work we have done in the last 2-3 months to protect ourselves against extended supply chain delivery times, leaves us in good stead to capitalise on the revenue opportunities as orders flow
- Additional near-term action to reduce overhead costs by $6m (on an annualised basis), combined with the savings that will be delivered in H2 from the already established $15m savings programme, will mitigate some of the inefficiencies that impacted H1
- Effects of inflation are expected to present a headwind
- Expect EBITDA margin improvement H2-on-H1, with the scale of improvement dependent on orders yet to be won
- Working capital and capex continue to be tightly managed

FY23 and beyond

- Fundamental shift in the European threat environment requiring higher military spending
- We have a significant opportunity given the expansion of demand
- We have confidence in delivering growth into the medium and long-term

Notes:

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

[2] For more information regarding segmental reporting and detailed Armor performance refer to note 2.2.

[3] The comparatives for the half year to 03 April 2021 have been restated to reflect reclassification and phasing adjustments between H1 and H2 in the prior year as disclosed in note 5.6.

[4] Reported operating loss includes $3.5m amortisation of acquired intangibles, $3.8m impairment of non-current assets, $1.4m restructuring costs and $0.8m transaction costs. See note 2.1 for full breakdown of adjustments and comparatives.

[5] Organic constant currency measures are provided in note 2.1.

[6] The Group previously reported that the reporting date for the comparable period was the 31 March 2021 and 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 03 April 2021 and 02 October 2021 respectively and therefore the headings in the interim financial statements have been amended accordingly. This has no impact on previously reported numbers.

For further enquiries, please contact:

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Analyst and investor webcast

Paul McDonald, Chief Executive Officer and Rich Cashin, Chief Financial Officer, will host a presentation for analysts and investors at 9.00am this morning, at Storey Club - 100 Liverpool Street, EC2M 2AT. The presentation will also be broadcast live at:
https://webcasting.brrmedia.co.uk/broadcast/623b00125929033805715060

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

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

Note to editors:

Avon Protection designs and produces life-critical personal protection solutions for the world’s militaries and first responders. With a portfolio that includes Chemical, Biological, Radiological, Nuclear (“CBRN”), respiratory and head protection products, our mission is to enhance the performance, efficiency and capability of our customers whilst providing ever increasing levels of protection.

Avon Protection operates from 6 sites employing approximately 1,000 people and is listed on the London Stock Exchange (LSE: AVON).

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

CHIEF EXECUTIVE OFFICER'S REVIEW

The first six months of FY22 has seen both challenge and opportunity through the period.

- Respiratory business continues to make good progress benefiting from deliveries to NSPA customers
- Good progress in developing the helmets business
    - IHPS NG helmet submitted for first article testing in March
    - Award of U.S. DOD ACH GEN II contract in February
    - In-sourcing of helmet shells for legacy Team Wendy products
- Integration of our helmet design and manufacturing capability, with synergies to follow
- A review of the armor business in late calendar year 2021 led to the decision to wind it down, as announced in December, following the test failure of the vital torso protection body armor product.
- Delayed revenues, particularly from the U.S. DOD, combined with operational issues, resulting in lower profit margin than originally expected
- We are undertaking cost-reduction actions to right-size our overheads, which are progressing to plan
- Following the events in Ukraine, there has been a significant increase in expression of interest in our products. We continue to work proactively and at pace with our customers to confirm orders and maximise the utilisation of our facilities.

A robust core business

Over the last twenty years, Avon Protection has established a position as the sole-source provider to the U.S. DOD for general-purpose respirators, tactical forces respirators, powered-air purifying respirators, tactical self-contained breathing apparatus, and the M53A1 tactical mask. We have a long-standing relationship with the U.K. MOD, and, in October 2020, were awarded the NATO Support and Procurement Agency contract in relation to our full respiratory range. The importance of these long-term partnerships has come to the fore in recent months as the risk environment has increased and we are in detailed and active engagement with our customers as they decide how to co-ordinate their response to the Ukraine crisis.

Over the past two years, the acquisitions of 3M's ballistic protection business and Team Wendy have added head protection to our portfolio, combining world-leading technology in helmet shells and protective inserts. The combination of the two has positioned Avon Protection as the leading helmet provider to the U.S. DOD.

Our longer-term strategy aspirations are to sell a wider range of both respirators and helmets to our global customer base. During this period, we have taken further steps to integrate these two businesses, resulting in a more streamlined organisation with significant opportunities for realising commercial synergies that will drive longer term value creation for the Group.

Additional programme wins

Following the IHPS NG contract won in 2021, our product entered first article testing in March 2022, as planned, and manufacturing will commence on receipt of approval.

The award of the ACH GEN II contract in February 2022 is a demonstration of the strength of our helmets business. The ACH GEN II contract with the U.S. DLA is for a maximum of $204m over five years. It is a sole-source contract with a second smaller tranche expected to be awarded at a later date, effectively resulting in a dual-source arrangement for the DLA. Our ACH GEN II helmet will be submitted for first article testing in FY23 with initial revenue expected in FY24.

When IHPS NG and ACH GEN II enter service life with the U.S. DOD, this will position Avon Protection as the leading helmet supplier to the U.S. DOD and confirms the synergies of bringing the two helmet brands together.

In addition to the above, we continue to make progress with our MCM100 underwater rebreather, with further orders received in Europe.

Delivering for our customers

The events in Ukraine have elevated the priority of national security awareness throughout Europe, resulting in a higher demand environment. These opportunities can be seen as three distinct phases:

(1) Immediate support. Numerous countries are looking to procure and donate military product for Ukraine. While we carry limited unallocated stocks, we have sold some product on this basis
(2) Short-term response. Attention has focused on the quality and quantity of equipment held by our customers, who are now looking to increase inventories and improve preparedness. We have seen a growing level of enquiries and are seeing increased short-term funding aligned to these orders and requests.
(3) Longer term response. The European NATO border with Russia is likely to become more militarised, driving demand for personal protective equipment into the medium and long-term. This will likely result in upgrade programmes across NATO for which we are well positioned.

In light of these drivers for growth, the sole-source framework respirator contract with the NATO Support & Procurement Agency, which allows NATO and associate members to order from our portfolio of respiratory products under standard pre-negotiated terms, is an important route to market for us. The benefits of this contract are ever-more evident in the current environment where ease of ordering is paramount in a fast-moving situation. We are engaged with seven NATO / NATO associate countries on this basis and in active dialogue with three more.

Responding to challenges

The extended delay in the sign-off of the U.S. federal budget, has impacted our customers dependent on federal funding, notably the U.S. DOD and our U.S. first responder customers. The absence of an agreed budget has resulted in orders being delayed, with consequences both for our order receipts and revenue mix.

Profit margin in the half year was impacted by a combination of identified and addressable issues, with the shortfall falling due to two impacts in broadly even amounts, being (1) adverse product mix, and (2) inefficiencies due to process and supply-chain issues. The adverse product mix was due to lower sales of higher margin products, particularly first responder products which are typically our highest margin business as well as fewer high-value product systems to the U.S. DOD. This should gradually reverse in H2, given the strength of demand, in part dependent on further orders that are expected to be received in Q3. We will utilise our capacity with higher margin products, and hence expect to revert to more normalised mix of product in this period. The inefficiencies we have seen are a result of a combination of process issues arising from lower utilisation, particularly in helmets, exacerbated by supply chain challenges. We are addressing the supply chain challenges by improving our forward ordering to anticipate future orders, which is now possible in this high demand environment. We are now planning further cost savings of $6m to limit margin downside, which will reach this run-rate by the end of FY22.

We are on track to achieve our target overhead reduction of $15m. This is broadly evenly split between overheads relating to armor (which will cease when that business is closed) and those relating to the on-going business, which had increased in anticipation of the increased size of business. Approximately half the savings in the continuing business are now realised and the remainder by the end of this financial year. This, combined with the additional $6m savings announced today, will allow the business to rebalance revenue and costs over the medium-term to improve profitability and margin.

Our people

Our people are at the heart of everything we do. The recent reorganisation to integrate the two helmet businesses and streamline the Group has involved difficult choices. We are grateful to our colleagues for their ongoing commitment as we have aligned the business for future growth.

FINANCIAL REVIEW

Unless otherwise stated, figures and commentary relate to continuing operations and exclude armor.

INCOME STATEMENT

Orders received in the period were $113.6m (HY21: $167.9m), down period-on-period principally due to lower U.S. DOD orders and also due to strong orders in the prior year, at the outset of the NSPA contract in October 2020. Accordingly, the closing order book of $110.7m (HY21: $131.5m) reflects a 15.8% decrease on last half year.

Revenue

	02 April 2022				
	Respiratory $m	Head Protection $m	Sub-total Avon Protection $m	Armor $m	Total $m
U.S. DOD	24.0	19.5	43.5	2.5	46.0
Commercial Americas	17.7	13.0	30.7	-	30.7
U.K. & International	41.1	4.1	45.2	-	45.2
Total	82.8	36.6	119.4	2.5	121.9

	03 April 2021[1]				
	Respiratory $m	Head Protection $m	Sub-total Avon Protection $m	Armor $m	Total $m
U.S. DOD	48.4	16.0	64.4	3.9	68.3
Commercial Americas	18.7	9.3	28.0	-	28.0
U.K. & International	18.2	7.5	25.7	-	25.7
Total	85.3	32.8	118.1	3.9	122.0

[1] Following a re-organisation and further integration of Team Wendy, we are classifying revenue into U.S. DOD (comprising all U.S. military revenue), Commercial Americas (which includes U.S. first responder plus

all revenue from other parts of the Americas, including Team Wendy), and U.K. and International (comprising all revenue outside North and South America). Prior year figures have been re-classified to be presented on a consistent basis to current year classifications.

Having started the year with a record order book, revenue was broadly as expected, with growth of 1.1% to $119.4m (HY21: $118.1m), a decrease of 1.1% on a constant currency basis, excluding the contribution of one additional month versus the comparable period, from Team Wendy.

U.S. DOD revenue of $43.5m (HY21: $64.4m) was 32.5% lower versus last half year, with order delays and ongoing supply chain challenges in sourcing key components (notably electronics and fabrics) causing lower than expected product deliveries in the earlier part of the period. We nevertheless continue to see the benefit of the large installed base of two million M50 masks with strong associated revenue from filters, spares and accessories, alongside continued deliveries of the M53A1 and M69 masks. In head protection, our contract for first-generation IHPS helmets is now largely complete, with the follow-on NG IHPS expected to start this calendar year.

Commercial Americas revenue of $30.7m increased c. 10% year-on-year, principally reflecting the additional month of Team Wendy ownership and success with the helmets portfolio, partially offset by declines in respiratory sales. We have raised prices on our commercial portfolio both in October 2021 and in March 2022, reflecting rising input costs.

U.K. and International revenue of $45.2m grew 75.9% compared to $25.7m in the first half for 2021, as the NSPA contract continued to expand, with orders delivered to five countries in the half year period. We are building our sales and marketing capability in this region in order to more fully capitalise on the market opportunity from our world-leading products.

Adjusted EBITDA of $12.5m is down 47.6% versus last half year on an organic constant-currency basis. The adjusted EBITDA margin of 10.5%, (HY21: 19.1%), reflects the impact of adverse product mix combined with negative process and supply chain issues, described above. Compared to the prior half year, overheads increased, principally due to rising employee costs and sea freight rates. The inflationary effect seen on freight costs will persist through the balance of the year, and we expect other cost lines in the P&L to be impacted as inflation levels in our key operating markets increase.

Adjusted operating profit decreased by 72.6% on an organic constant-currency basis, to $5.1m (HY21: $16.8m) reflecting the drop-through effect of the lower EBITDA combined with a higher depreciation and amortisation charge than the prior year, reflective of greater investment in the business over the prior years.

After an adjusted tax charge of $0.8m (HY21: $3.2m), the Group recorded an adjusted profit after tax for the period of $2.8m (HY21: $12.3m).

Adjusted basic earnings per share decreased by 80.6% on an organic constant-currency basis to 9.1c (HY21: 40.1c).

Armor business

In December 2021 we announced that the armor business would be wound down, fulfilling existing contracts and then closed. The Board reached this decision following a series of events including the test failure of a key body armor product, which led to the conclusion that this was the best decision for stakeholders. We are taking actions to reduce overheads and will wind the business down once contracts are complete, expected to take c. 18 months. The armor order book relates to the DLA ESAPI product; we are in the final stages of formal first-article test approval and revenue will commence once this is received.

HY22 Adjusted continuing operations	Armor $m	Respiratory & Head protection $m	Total $m
Orders received	0.3	113.6	113.9
Closing order book	24.4	110.7	135.1
Revenue	2.5	119.4	121.9
Adjusted EBITDA	(6.3)	12.5	6.2
Adjusted EBITDA margin	(252%)	10.4%	5.1%
Adjusted operating profit/(loss)	(6.3)	5.1	(1.2)

On a reported continuing basis, statutory operating loss was $10.7m (HY21: profit of $3.4m), reflecting an operating loss from armor of $7.3m and a loss of $3.4m from the respiratory and head protection operations after adjusting items of $9.5m.

The adjusting items (detailed in note 2.1) principally comprise the amortisation of acquired intangibles ($3.5m) and an impairment of non-current assets ($3.8m). The majority of the impairment losses ($2.9m) relate to the General Service Respirator (GSR) with the balance relating to other respiratory assets ($0.7m) and reclassified armor development ($0.2m). Impairment losses resulted from changes in assumptions for future recoverable amounts and as such they are considered unrelated to 2022 trading performance (further details available in note 3.1).

Loss before tax was $13.6m (HY21: profit of $0.4m) and, after a tax credit of $2.9m (HY21: credit of $0.1m), loss for the period was $10.7m (HY21: profit of $0.5m). Basic losses per share were (34.9c) (HY21: earnings per share of 1.6c).

RESEARCH & DEVELOPMENT

In line with our strategy, we continue to invest in the next generation of products and our total investment in research and development (capitalised and expensed) amounted to $5.3m (HY21: $10.5m), with the reduction reflecting a more focused investment strategy. The figures below include armor, of which there was no capitalised expenditure in HY22 and $2.6m in HY21.

	26 weeks to 02 April 2022	27 weeks to 03 April 2021
Total research and development expenditure	$5.3m	$10.5m
Less customer funded	($0.7m)	($0.9m)
Group expenditure	$4.6m	$9.6m
Capitalised	($2.7m)	($9.0m)
Income statement impact	$1.9m	$0.6m
Amortisation and impairment of development expenditure	$3.7m	$2.0m
Total income statement impact	$5.6m	$2.6m
Revenue	$121.9m	$122.0m
R&D spend as % of revenue	4.3%	8.6%

CASH FLOW AND NET DEBT[1]

	26 weeks to 02 April 2022 $m	27 weeks to 03 April 2021 (restated)[3] $m
Adjusted continuing EBITDA	6.2	19.1
Share-based payments and defined benefit pension scheme costs	1.2	1.1
Working Capital	(2.2)	(7.1)
Cash flow from continuing operations before exceptional items	5.2	13.1
Restructuring and acquisition costs paid	(0.8)	(4.4)
Cash flow from continuing operations	4.4	8.7
Cash flow from discontinued operations	(0.6)	(1.6)
Cash flow from operations	3.8	7.1
Finance costs	(1.3)	(0.5)
Payments to pension plan	(2.6)	-
Repayment of lease liability	(2.1)	(2.0)
Tax excluding capital gains tax on divestment[2]	0.6	(2.0)
Capital Expenditure	(5.8)	(14.7)
Acquisitions and divestments	(3.2)	(137.1)
Purchase of own shares – LTIP and share buyback	(10.1)	(4.3)
Dividends to shareholders	(9.1)	(7.7)
Foreign exchange	-	0.6
Change in net debt	(29.8)	(160.6)
Opening net (debt)/cash, excluding lease liabilities	(26.8)	147.7
Closing net debt, excluding lease liabilities	(56.6)	(12.9)

1 – For full Consolidated Cash Flow Statement under IFRS see p.19

2 - Cash flow from divestments in the prior period are shown net of $9.0 million capital gains tax paid. This is included in tax paid in the Consolidated Cash Flow Statement.

3 - The comparatives for the half year to 03 April 2021 have been restated to reflect reclassification and phasing adjustments between H1 and H2 in the prior year as disclosed in note 5.6.

Cash flow from continuing operations before exceptional items was $5.2m (HY21: $13.1m). Capital expenditure used in continuing operations was $5.8m (HY21: $14.7m).

Dividends and purchases of own shares were $19.2m (HY21: $12.0m) reflecting the final dividend and $10.1m (including costs) for the share buy-back. Tax receipts were $0.6m, resulting from taxable losses in previous periods.

Cash flow from continuing operations as a percentage of adjusted continuing EBITDA of 83.9% reflected lower accounts receivable offset by a build-up of inventory both in advance of second half shipments but also to mitigate the impact of longer material lead times. Net debt at the half year was $83.3m (FY21: $55.9m), which includes lease liabilities of $26.7m (FY21: $29.1m). Excluding lease liabilities, net debt was $56.6m (FY21 $26.8m). The increase in net debt is principally due to shareholder returns from the dividend and share buyback programme plus some continued build-up of working capital and cash outflow relating to the armor business.

Net pension liabilities at the half year were $28.7m, down 58.0% since 02 October 2021 principally due to the change in liability discount rate assumption, based on current rates. Based on the deficit recovery plan agreed following the 31 March 2019 actuarial valuation, the Group will make payments of $4.5m in FY22 and $4.7m in FY23 in respect of deficit recovery plan payments and scheme expenses. The next triennial valuation is now underway, based on the balance at the half year end, and the outcome of the process is expected in May 2023.

DIVIDENDS AND SHARE BUY-BACK

The Board has declared an interim dividend of 14.3c per ordinary share (HY21: 14.3c) reflecting confidence in the medium and long-term prospects of the Group. There remains a range of possible out-turns for full year performance, and the annual dividend will be determined after the full year closes. The interim dividend will be paid on 2 September 2022 to shareholders on the register at close of business on 5 August 2022. The dividend amount will be converted into pounds sterling for payment at the prevailing exchange rate prior to payment.

Having executed the first half of the share buy-back, announced in January, the Board have decided to put the second half on hold to enable further organic investment to meet elevated demand levels and to ensure leverage stability

BOARD UPDATE

After 5 years as CEO and 19 years with the company, Paul will be stepping down as CEO at the end of this financial year. Beyond this date, he has agreed to make himself available to support the transition to a new CEO. A search will be initiated to identify a successor and the Board will update the market at the appropriate time.

OUTLOOK

The opening order book of $111m provides good visibility into H2. A very strong macro demand environment drives medium-term confidence, but volatility of funding and timing of customer orders gives rise to risk to the H2 outlook on revenue mix. In the short-term, the situation remains dynamic and complex, such that order visibility is reduced and consequently we are taking a more cautious view. This revenue mix risk flows to margin expectations for the remainder of the current year.

The work we have done in the last 2-3 months to protect ourselves against extended supply chain lead times leaves us in good stead to capitalise on the revenue opportunities as orders flow.

We expect a benefit in H2 of c. $3-4m from the savings that will be delivered from the already established $15m savings programme. This will mitigate the costs of inefficiencies that impacted H1, although effects of rising inflation are expected to present a headwind through the second half. As a consequence of the cost savings, we continue to expect EBITDA margin improvement H2-on-H1, with the scale of this improvement dictated by orders yet to be won. Working capital and capital expenditure will continue to be tightly managed through the balance of the year.

The armor business will remain loss-making until revenues commence on finalisation of testing on the DLA ESAPI product, expected before the end of this financial year. As such, it will be loss-making for the year as a whole.

In the medium-term, we have a significant opportunity given the expansion of demand for our products. We are carefully considering how to manage that demand in a disciplined way, to support our customers while optimising returns.

Our world-leading products and solutions have a key role to play in protecting service personnel in an increasingly unstable environment, and we have confidence in delivering growth into the medium and long-term.

Paul McDonald	Rich Cashin
Chief Executive Officer	Chief Financial Officer
23 May 2022	23 May 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that this condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the United Kingdom, and that the interim management report herein includes a true and fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed consolidated interim financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.
- A true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the consolidation.

Miles Ingrey-Counter
Company Secretary
23 May 2022

FORWARD-LOOKING STATEMENTS

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

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

COMPANY WEBSITE

The half year report is available on the Company's website at https://www.avon-protection-plc.com/. The maintenance and integrity of the website is the responsibility of the Directors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT REVIEW REPORT TO AVON PROTECTION PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the 26-week period ended 02 April 2022 which comprises the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the 26-week period ended 02 April 2022 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the U.K. and the Disclosure Guidance and Transparency Rules ("the DTR") of the U.K.'s Financial Conduct Authority ("the U.K. FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (U.K. and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the U.K.. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (U.K.) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst the Company has previously produced a half yearly report containing a condensed set of financial statements, those financial statements have not previously been subject to a review by an independent auditor. As a consequence, the review procedures set out above have not been performed in respect of the comparative period for the 27-week period ended 03 April 2021.

Directors' responsibilities

The half yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half yearly financial report in accordance with the DTR of the U.K. FCA.

The latest annual financial statements of the group were prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the next annual financial statements will be prepared in accordance with U.K.-adopted international accounting standards. The directors are responsible for preparing the condensed set of financial statements included in the half yearly financial report in accordance with IAS 34 as adopted for use in the U.K.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the U.K. FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Andrew Campbell-Orde

Andrew Campbell-Orde
for and on behalf of KPMG LLP
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

23 May 2022

Consolidated Statement of Comprehensive Income for the 26 weeks ended 02 April 2022

		26 weeks to 02 April 2022			27 weeks to 03 April 2021 (restated) [1,2]		
		Adjusted $m	Adjustments $m	Total $m	Adjusted $m	Adjustments $m	Total $m
	Note		(Note 2.1)			(Note 2.1)	
Continuing operations							
Revenue	2.2	121.9	-	121.9	122.0	-	122.0
Cost of sales		(87.6)	-	(87.6)	(83.6)	(2.4)	(86.0)
Gross profit		34.3	-	34.3	38.4	(2.4)	36.0
Selling and distribution costs		(12.8)	-	(12.8)	(10.7)	-	(10.7)
General and administrative expenses		(22.7)	(9.5)	(32.2)	(15.2)	(6.7)	(21.9)
Operating (loss)/profit		(1.2)	(9.5)	(10.7)	12.5	(9.1)	3.4
Finance costs	4.3	(1.6)	(1.3)	(2.9)	(1.5)	(1.5)	(3.0)
(Loss)/profit before taxation		(2.8)	(10.8)	(13.6)	11.0	(10.6)	0.4
Taxation	2.5	0.6	2.3	2.9	(2.3)	2.4	0.1
(Loss)/profit for the period from continuing operations		(2.2)	(8.5)	(10.7)	8.7	(8.2)	0.5
Discontinued operations							
Loss from discontinued operations	2.3	-	(1.2)	(1.2)	-	(1.4)	(1.4)
Loss for the period		(2.2)	(9.7)	(11.9)	8.7	(9.6)	(0.9)

[1] The comparatives for the 27 weeks to 03 April 2021 have been restated to reflect reclassification and phasing adjustments between H1 and H2 in the prior year as disclosed in note 5.6.

[2] The Group previously reported that the reporting date for the comparable period was the 31 March 2021 and 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 03 April 2021 and 02 October 2021 respectively and therefore the headings in the interim financial statements have been amended accordingly. This has no impact on previously reported numbers.

Consolidated Statement of Comprehensive Income for the 26 weeks ended 02 April 2022 (Continued)

	Note	26 weeks to 02 April 2022 $m	27 weeks to 03 April 2021 (restated) [1, 2] $m
Loss for the period		(11.9)	(0.9)
Other comprehensive income/(expense)			
Items that are not subsequently reclassified to the income statement			
Remeasurement profit/(loss) recognised on retirement benefit scheme	5.2	36.4	(9.0)
Deferred tax relating to retirement benefit scheme		(9.3)	1.8
Items that may be subsequently reclassified to the income statement			
Net exchange differences offset in reserves		0.4	2.4
Other comprehensive income/(expense) for the period		15.6	(4.8)
Total comprehensive income/(expense) for the period		3.7	(5.7)
Earnings per share (cents)			
Basic		(38.8c)	(2.9c)
Diluted		(38.5c)	(2.9c)
Earnings per share from continuing operations (cents)			
Basic		(34.9c)	1.6c
Diluted		(34.6c)	1.6c

Consolidated Balance Sheet

	Note	As at 02 April 2022 $m	As at 02 Oct 2021 $m[2]
Assets			
Non-current assets			
Intangible assets	3.1	175.9	181.0
Property, plant and equipment	3.2	43.7	48.6
Deferred tax assets		30.2	40.2
		249.8	269.8
Current assets			
Inventories		73.0	62.3
Trade and other receivables		33.9	44.7
Current tax receivables		10.6	7.8
Cash and cash equivalents		12.6	14.1
		130.1	128.9
Liabilities			
Current liabilities			
Borrowings	4.1	4.1	4.0
Trade and other payables		41.3	40.0
Provisions for liabilities and charges	5.1	3.3	3.5
		48.7	47.5
Net current assets		81.4	81.4
Non-current liabilities			
Borrowings	4.1	91.8	66.0
Deferred tax liabilities		6.1	6.1
Retirement benefit obligations	5.2	28.7	68.3
Provisions for liabilities and charges	5.1	2.9	5.4
		129.5	145.8
Net assets		201.7	205.4
Shareholders' equity			
Ordinary shares	4.4	50.3	50.3
Share premium account	4.4	54.3	54.3
Other reserves		(14.6)	(15.0)
Retained earnings		111.7	115.8
Total equity		201.7	205.4

Consolidated Cash Flow Statement

	Note	26 weeks to 02 April 2022 $m	27 weeks to 03 April 2021 (restated)[1, 2] $m
Cash flow from operating activities			
Cash flow from continuing operations	5.3	4.4	8.7
Cash flow used in discontinued operations	5.3	(0.6)	(1.6)
Cash flow from operations		3.8	7.1
Retirement benefit deficit recovery contributions	5.2	(2.6)	-
Tax receipts/(payments)		0.6	(11.0)
Net cash flow from / (used in) operating activities		1.8	(3.9)
Cash flow used in investing activities			
Proceeds from disposal of discontinued operations		-	3.4
Costs of divestment		-	(0.6)
Purchase of property, plant and equipment	3.2	(2.9)	(2.1)
Capitalised development costs and computer software	3.1	(2.9)	(12.6)
Acquisition of business	5.5	(3.2)	(130.9)
Net cash used in investing activities		(9.0)	(142.8)
Cash flow used in financing activities			
Proceeds from loan drawdowns	4.2	33.9	11.0
Loan repayments	4.2	(5.6)	(39.5)
Finance costs paid in respect of bank loans and overdrafts	4.3	(0.8)	(0.3)
Finance costs paid in respect of leases	4.3	(0.5)	(0.2)
Repayment of lease liability		(2.1)	(2.0)
Dividends paid to shareholders	4.5	(9.1)	(7.7)
Purchase of own shares – Long-term incentive plan	4.4	-	(4.3)
Purchase of own shares – Share buyback programme	4.4	(10.1)	-
Net cash from / (used in) financing activities		5.7	(43.0)
Net decrease in cash, cash equivalents and bank overdrafts		(1.5)	(189.7)
Cash, cash equivalents, and bank overdrafts at beginning of the period		14.1	187.2
Effects of exchange rate changes		-	0.6
Cash, cash equivalents and bank overdrafts at end of the period		12.6	(1.9)

[1] The comparatives for the 27 weeks to 03 April 2021 have been restated to reflect reclassification and phasing adjustments between H1 and H2 in the prior year as disclosed in note 5.6.

[2] The Group previously reported that the reporting date for the comparable period was the 31 March 2021 and 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 03 April 2021 and 02 October 2021 respectively and therefore the headings in the interim financial statements have been amended accordingly. This has no impact on previously reported numbers.

Consolidated Statement of Changes in Equity

	Note	Share capital	Share premium	Other reserves	Retained earnings (restated)[1]	Total equity (restated)[1]
		$m	$m	$m	$m	$m
At 26 September 2020		50.3	54.3	(15.6)	140.5	229.5
Loss for the period (restated)[1]		-	-	-	(0.9)	(0.9)
Net exchange differences offset in reserves		-	-	2.4	-	2.4
Actuarial loss recognised on retirement benefit scheme		-	-	-	(9.0)	(9.0)
Deferred tax relating to retirement benefit scheme		-	-	-	1.8	1.8
Total comprehensive income for the period (restated)[1]		-	-	2.4	(8.1)	(5.7)
Dividends paid	4.5	-	-	-	(7.7)	(7.7)
Deferred tax relating to employee share scheme		-	-	-	(1.8)	(1.8)
Own shares acquired – Long-term incentive plan	4.4	-	-	-	(4.3)	(4.3)
Fair value of share-based payments		-	-	-	0.7	0.7
At 03 April 2021 (restated)[1]		50.3	54.3	(13.2)	119.3	210.7
Loss for the period (restated)[1]		-	-	-	(24.7)	(24.7)
Net exchange differences offset in reserves		-	-	(1.8)	-	(1.8)
Deferred tax relating to other temporary differences		-	-	-	0.3	0.3
Actuarial gain recognised on retirement benefit scheme		-	-	-	25.2	25.2
Deferred tax relating to retirement benefit scheme		-	-	-	(4.9)	(4.9)
Deferred tax relating to change in tax rates		-	-	-	4.1	4.1
Total comprehensive income for the period (restated)[1]		-	-	(1.8)	-	(1.8)
Dividends paid	4.5	-	-	-	(4.4)	(4.4)
Fair value of share-based payments		-	-	-	(0.2)	(0.2)
Current tax relating to employee share schemes		-	-	-	1.2	1.2
Deferred tax relating to employee share schemes		-	-	-	(0.1)	(0.1)
At 02 October 2021		50.3	54.3	(15.0)	115.8	205.4
Loss for the period		-	-	-	(11.9)	(11.9)
Net exchange differences offset in reserves		-	-	0.4	-	0.4
Actuarial loss recognised on retirement benefit scheme		-	-	-	36.4	36.4
Deferred tax relating to retirement benefit scheme		-	-	-	(9.3)	(9.3)
Total comprehensive income for the period		-	-	0.4	15.2	15.6
Dividends paid	4.5	-	-	-	(9.1)	(9.1)
Own shares acquired – Share buyback programme	4.4	-	-	-	(10.7)	(10.7)
Fair value of share-based payments		-	-	-	0.5	0.5
At 02 April 2022		50.3	54.3	(14.6)	111.7	201.7

[1] H1 and H2 losses in the prior year been restated to reflect phasing adjustments as disclosed in note 5.6.

Other reserves consist of the capital redemption reserve of $0.6m (03 April 2021: $0.6m, 02 October 2021: $0.6m) and the translation reserve of ($15.2m) (03 April 2021: ($13.8m), 02 October 2021: ($15.6m).

NOTES TO THE FINANCIAL STATEMENTS

Section 1: General Information and Basis of Preparation

The Company is a public limited Company incorporated in England and Wales and domiciled in England with its ordinary shares being traded on the London Stock Exchange. The address of its registered office is Hampton Park West, Semington Road, Melksham, Wiltshire, SN12 6NB.

This unaudited condensed consolidated interim financial information was approved for issue on 24 May 2022.

The financial period presents the 26 weeks ended 2 April 2022 (prior financial period 27 weeks ended 3 April 2021, prior financial year 53 weeks ended 2 October 2021). The Company previously reported that the reporting date for the comparable period was the 31 March 2021 and 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 03 April 2021 and 02 October 2021 respectively and therefore the headings in the interim financial statements have been amended accordingly. This has no impact on previously reported numbers.

The financial information set out in this document does not constitute the Group's statutory accounts for the period or the full year. Statutory accounts for the previous financial year were approved by the Board of Directors on 14 December 2021 and delivered to the Registrar of Companies.

The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

This condensed consolidated interim financial information for the 26 weeks ended 02 April 2022 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim financial reporting' as adopted by the United Kingdom. These interim financial results should be read in conjunction with the annual financial statements for the year ended 02 October 2021, which have been prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial information presented in this Interim Report has been prepared in accordance with the accounting policies expected to be used in preparing the 2022 Annual Report and Accounts which do not differ significantly from those used in the preparation of the 2021 Annual Report and Accounts.

The Directors have prepared a going concern assessment covering the 12 month period from the date of approval of these interim financial results. The assessment indicates that the Group will have sufficient funds to meet its liabilities as they fall due for that period, and therefore the interim financial results have been prepared on a going concern basis.

As part of their assessment, the Directors considered the Group's base case, and a severe but plausible downside scenario involving a 22% decline in forecast bank-determined adjusted EBITDA against the base case, covering some potential delays on revenue delivery as well as the potential for further supply chain and manufacturing challenges. Even in this severe downside scenario, the assessment indicates that the

Group will have sufficient funds to meet its liabilities as they fall due, and will continue to comply with its loan covenants, throughout the forecast period. The Group has committed RCF facilities of $200 million and related loan covenants include a limit of 3.0 times for the ratio of net debt, excluding lease liabilities, to bank-determined adjusted EBITDA (leverage).

The recent developments in Ukraine have led to an increased demand for the Group's product range, which will influence the order book and revenue expectations. Given the business remains robust with good liquidity and revenue visibility, the Directors are confident that the Group will continue to operate on a going concern basis over the 12 month assessment period.

Section 2: Results for the Period

2.1 Adjusted performance measures

The Directors assess the operating performance of the Group based on adjusted measures of EBITDA, operating profit, finance costs, taxation and earnings per share (note 2.4), as well as other measures not defined under IFRS including orders received, closing order book, EBITDA margin, cash conversion, and net debt excluding lease liabilities (note 4.2). These measures are collectively described as Adjusted Performance Measures (APMs).

The Directors believe that the APMs provide a useful comparison of business trends and allow investors to understand the underlying performance of the Group. The APMs exclude exceptional items considered unrelated to the underlying trading performance of the Group and discontinued operations. APMs also include constant currency and organic equivalent metrics. The term adjusted is not defined under IFRS and may not be comparable with similarly titled measures used by other companies.

Adjustments to operating profit

	26 weeks to 02 April 2022 $m	27 weeks to 03 April 2021 (restated)[1] $m
Operating (loss)/profit	(10.7)	3.4
Amortisation of acquired intangibles	3.5	7.0
Restructuring costs	1.4	-
Transaction costs	0.8	-
Impairment of non-current assets	3.8	-
Release of contingent consideration	-	(2.2)
Acquisition related costs	-	1.9
Inventory fair value adjustments	-	2.4
Adjusted operating (loss)/profit	(1.2)	12.5
Depreciation	4.7	4.5
Other amortisation charges	2.7	2.1
Adjusted EBITDA	6.2	19.1

Amortisation charges for acquired intangible assets of $3.5m (HY21: $7.0m) are considered exceptional as they do not change each period based on underlying business trading and performance.

Restructuring costs related to the overhead reduction programme were $1.4m (HY21: $nil). These costs include a $0.4m right of use asset impairment relating to the closure of one of our U.S. offices and $0.2m of professional fees relating to the strategic review of the armor business. These costs are considered exceptional as they relate to a specific programme which does not form part of the underlying business trading and performance.

Transaction costs of $0.8m (HY21: $nil) related to a potential sale of the armor business. This opportunity is no longer considered to be in the best interest of shareholders. These costs are considered exceptional as they are specific to the wind down of the armor business and do not form part of the underlying business trading and performance.

Impairment reviews for the Group's non-current assets resulted in $3.8m exceptional impairment losses (HY21: $nil) as the carrying value of certain cash-generating units 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 2022 trading performance.

In HY21 a gain of $2.2m was recognised to reduce the net present value of the contingent consideration payable to 3M as a result of rephased revenue expectations from the DLA ESAPI body armor contract. As such, they are considered unrelated to HY21 trading performance.

HY21 Acquisition costs of $1.9m related to the acquisition of Team Wendy and the 3M ballistic protection business. HY21 Inventory fair value adjustments of $2.4 million related to Team Wendy acquired inventory adjustments arising on acquisition. These costs are considered exceptional as they do not relate to the trading performance of HY21.

Adjustments to finance costs	26 weeks to 02 April 2022 $m	27 weeks to 03 April 2021 $m (restated)[1]
Finance costs	(2.9)	(3.0)
U.K. defined benefit pension scheme net interest expense	0.8	0.4
Contingent consideration unwind discount	0.5	1.1
Adjusted finance costs	(1.6)	(1.5)

$0.8m (HY21: $0.4m) net interest expense 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 5.2).

$0.5m (HY21: $1.1m) related to unwind of discounting on contingent consideration from the 3M ballistic acquisition.

Cash conversion

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

	26 weeks to 02 April 2022 $m	27 weeks to 03 April 2021 $m (restated)[1]
Cash flow from continuing operations before exceptional items (note 5.3)	5.2	13.1
Adjusted EBITDA	6.2	19.1
Cash conversion	83.9%	68.5%

Adjustments to taxation

Adjustments to taxation represent the tax effects of the adjustments to operating profit and finance costs. Adjusting items do not have significantly different tax rates, with the overall effective rate of 21% (HY21: 23%) approximating statutory rates applicable in the U.S. and U.K.

Organic constant currency reporting

Organic constant currency measures remove the impact of acquisitions and changes in exchange rates. Constant currency measures are calculated by translating the prior period at HY22 exchange rates.

As average USD/GBP rates applicable in each period were very similar (note 5.4), the impact of changes in exchange rates was less than $0.1m for HY21 Income Statement constant currency period measures. There was a currency impact on orders received due to recognition phasing.

The armor business transacts entirely in USD meaning there is no currency impact for this operating segment.

Respiratory and Head Protection	26 weeks to 02 April 2022 (excluding acquisitions)	27 weeks to 03 April 2021 (constant currency, restated[1])
Orders received	$110.7m	$167.3m
Closing order book	$110.7m	$130.7m
Revenue	$116.8m	$118.1m
Adjusted[1] EBITDA	$11.8m	$22.5m
Adjusted[1] operating profit	$4.6m	$16.8m
Adjusted[1] profit before tax	$3.1m	$15.5m
Adjusted[1] basic earnings per share	7.8c	40.1c

[1] The comparatives for the 27 weeks to 03 April 2021 have been restated to reflect reclassification and phasing adjustments between H1 and H2 in the prior year as disclosed in note 5.6.

2.2 Operating segments

The Group Executive team is responsible for allocating resources and assessing performance of its operating segments. Operating segments are therefore reported in a manner consistent with the internal reporting provided to the Group Executive team.

The Group has, following a reorganisation, two different operating and reportable segments, these being the core respiratory & head protection business and the armor business which is in the process of being wound-down. In the prior year, the sole reportable segment was made up by two operating segments, Team Wendy and Avon Protection. Avon Protection has been disaggregated into armor and respiratory & head protection following the decision to close the armor business. In HY22 Team Wendy has been fully integrated into the wider respiratory & head protection segment.

	26 weeks to 02 April 2022			
	Armor	Respiratory & Head protection	Adjustments & discontinued (note 2.1 & 2.3)	Total
	$m	$m	$m	$m
Revenue	2.5	119.4	-	121.9
Adjusted EBITDA	(6.3)	12.5	-	6.2
Depreciation	-	(4.7)	-	(4.7)
Other amortisation charges	-	(2.7)	-	(2.7)
Amortisation of acquired intangibles	-	-	(3.5)	(3.5)
Other adjusting items (note 2.1)	-	-	(6.0)	(6.0)
Operating profit/(loss)	(6.3)	5.1	(9.5)	(10.7)
Finance costs	(0.1)	(1.5)	(1.3)	(2.9)
Profit/(loss) before taxation	(6.4)	3.6	(10.8)	(13.6)
Taxation	1.4	(0.8)	2.3	2.9
Profit/(loss) for the period from continuing operations	(5.0)	2.8	(8.5)	(10.7)
Loss from discontinued operations	-	-	(1.2)	(1.2)
Profit/(loss) for the period	(5.0)	2.8	(9.7)	(11.9)
Total assets	18.2	361.7	-	379.9
Basic earnings per share (cents)	(16.3c)	9.1c	(31.6c)	(38.8c)
Diluted earnings per share (cents)	(16.2c)	9.1c	(31.4c)	(38.5c)

	27 weeks to 03 April 2021 (restated)[1]			
	Armor	Respiratory & Head protection	Adjustments & discontinued (note 2.1 & 2.3)	Total
	$m	$m	$m	$m
Revenue	3.9	118.1	-	122.0
Adjusted EBITDA	(3.4)	22.5	-	19.1
Depreciation	(0.9)	(3.6)	-	(4.5)
Other amortisation charges	-	(2.1)	-	(2.1)
Amortisation of acquired intangibles	-	-	(7.0)	(7.0)
Other adjusting items (note 2.1)	-	-	(2.1)	(2.1)
Operating profit/(loss)	(4.3)	16.8	(9.1)	3.4
Finance costs	(0.2)	(1.3)	(1.5)	(3.0)
Profit/(loss) before taxation	(4.5)	15.5	(10.6)	0.4
Taxation	0.9	(3.2)	2.4	0.1
Profit/(loss) for the period from continuing operations	(3.6)	12.3	(8.2)	0.5
Loss from discontinued operations	-	-	(1.4)	(1.4)
Profit/(loss) for the period	(3.6)	12.3	(9.6)	(0.9)
Total assets	55.3	364.8	-	420.1
Basic earnings per share (cents)	(11.7c)	40.1c	(31.3c)	(2.9c)
Diluted earnings per share (cents)	(11.6c)	39.8c	(31.1c)	(2.9c)

[1] The comparatives for the 27 weeks to 03 April 2021 have been restated to reflect reclassification and phasing adjustments between H1 and H2 in the prior year as disclosed in note 5.6. Comparatives have also been aligned with the new segmental reporting structure, as outlined above.

Revenue analysed by line of business

	02 April 2022				03 April 2021[1]			
	Respiratory	Head Protection	Armor	Total	Respiratory	Head Protection	Armor	Total
	$m	$m	$m	$m	$m	$m	$m	$m
U.S. DOD	24.0	19.5	2.5	46.0	48.4	16.0	3.9	68.3
Commercial Americas	17.7	13.0	-	30.7	18.7	9.3	-	28.0
U.K. & International	41.1	4.1	-	45.2	18.2	7.5	-	25.7
Total	82.8	36.6	2.5	121.9	85.3	32.8	3.9	122.0

[1] Following a re-organisation and further integration of Team Wendy, the Group classifies revenue into U.S. DOD (comprising all U.S. military revenue), Commercial Americas (which includes U.S. first responder plus all revenue from other parts of the Americas), and U.K. & International ("U.K. & Intl") (comprising all revenue outside the continents of America). Prior year figures have been re-classed to be presented on a consistent basis to current year classifications.

Revenue analysed by geographic region by origin

	26 weeks to 02 April 2022 $m	27 weeks to 03 April 2021 $m
Europe	37.4	13.6
U.S.	84.5	108.4
Total	121.9	122.0

2.3 Discontinued Operations

In September 2020 the Group divested the entire milkrite | InterPuls business. As part of the sale and purchase agreement, the Group entered into a Manufacturing Service Agreement whilst arrangements were made to relocate manufacturing equipment from a previously shared U.K. facility. These are expected to conclude in FY23. The Group also entered into agreements to provide certain other information technology and administrative services under a 12-month Transitional Services Agreement which have now concluded. As the activities under these agreements are not part of the continuing operations of the Group, the revenue and costs associated with these agreements have been classified as discontinued operations.

	26 weeks to 02 April 2022 $m	27 weeks to 03 April 2021 $m
Revenue	1.7	2.0
Cost of Sales	(3.2)	(2.8)
Gross Loss	(1.5)	(0.8)
General and administrative expenses	-	(1.0)
Operating loss	(1.5)	(1.8)
Finance costs	-	-
Loss before taxation	(1.5)	(1.8)
Taxation	0.3	0.4
Loss from discontinued operations	(1.2)	(1.4)
Basic earnings per share (cents)	(3.9c)	(4.6c)
Diluted earnings per share (cents)	(3.9c)	(4.6c)

2.4 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 as treasury shares (note 4.4). 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 calculations of earnings per share are set out below:

Weighted average number of shares

	26 weeks to 02 April 2022	27 weeks to 03 April 2021
Weighted average number of ordinary shares in issue used in basic calculations (thousands)	30,644	30,649
Potentially dilutive shares (weighted average) (thousands)	284	246
Fully diluted number of ordinary shares (weighted average) (thousands)	30,928	30,895

2.5 Taxation

	26 weeks to 02 April 2022 $m	27 weeks to 03 April 2021 (restated) $m
(Loss)/profit before taxation from continuing operations	(13.6)	0.4
Tax charge/(credit) at the average standard U.K. rate of 19.0% (HY21: 19.0%)	(2.6)	0.1
Differences in overseas tax rates	(0.2)	-
Permanent differences	(0.1)	(0.2)
Tax credit	(2.9)	(0.1)

The effective tax rate for the period is 21% (HY21: 25%).

Section 3: Non-current assets

3.1 Intangible assets

Net book amounts	Goodwill $m	Acquired intangibles $m	Development expenditure $m	Computer software $m	Total $m
At 02 October 2021	88.8	58.9	23.2	10.1	181.0
Additions	-	-	2.7	0.2	2.9
Exceptional impairments	-	-	(1.6)	-	(1.6)
Amortisation	-	(3.5)	(2.1)	(0.6)	(6.2)
Exchange differences	-	-	(0.2)	-	(0.2)
At 02 April 2022	88.8	55.4	22.0	9.7	175.9

The carrying amounts of non-financial assets have been reviewed at the interim reporting date to determine whether there is any indication of impairment. For assets that show indicators of impairment, this includes estimation of the recoverable amount which is deemed to be value in use. Assets are tested at CGU level (or at group of CGUs level in the case of goodwill) as the Directors believe CGUs generate largely independent cash inflow.

Value in use was determined by discounting the future cash flow to be generated from the continuing use of the CGU.

As a result of the review for the half year to 02 April 2022, the following impairment charges were identified:

- General Service Respirator (GSR), impaired by $2.9m due to a change made on costing assumptions and forecasted cash flow periods, driven by changes in market factors ($0.7m development expenditure, $2.2m plant and machinery).
- Other respiratory asset development expenditure, impaired by $0.7m due to market factors.
- Armor-specific development expenditure, impaired by $0.2m for a small number of reclassified assets.

Following the impairment charges recognised, recoverable amounts were equal to carrying amounts.

For the GSR the following key assumptions were used as part of the value in use analysis:

- A pre-tax discount rate of 32% (post-tax discount rate of 7.4%)
- Cashflow over a period of 6.5 years, including an assumption of contractual extensions and commercial gross profit margins

Sensitivity analysis has shown that if gross profit margins improved by 8% in additional contract periods, the impairment would be reduced by approximately $0.2m.

Other CGUs were not tested for impairment because there were no impairment indicators at 02 April 2022.

3.2 Property, plant and equipment

Net book amounts	Freeholds $m	Right of use assets $m	Plant and machinery $m	Leasehold Improvements $m	Total $m
At 02 October 2021	1.8	15.0	28.3	3.5	48.6
Additions	-	0.2	2.9	-	3.1
Exceptional impairments (note 3.1)	-	(0.4)	(2.2)	-	(2.6)
Depreciation charge	(0.1)	(1.7)	(2.7)	(0.2)	(4.7)
Exchange differences	-	(0.2)	(0.4)	(0.1)	(0.7)
At 02 April 2022	1.7	12.9	25.9	3.2	43.7

The $0.4m right of use asset impairment relates to the closure of one of our U.S. offices under the overhead reduction programme. The $2.2m plant and machinery impairment is detailed in note 3.1.

3.3 Capital commitments

	As at 02 April 2022 $m	As at 02 Oct 2021 $m
Capital commitments	1.4	2.8

Capital commitments represent the amount contracted in respect of non-current assets at the end of the period for which no provision has been made in the financial statements

Section 4: Funding

4.1 Borrowings

	As at 02 April 2022 $m	As at 02 Oct 2021 $m
Current		
Lease liabilities	4.1	4.0
	4.1	4.0
Non-Current		
Bank Loans	69.2	40.9
Lease liabilities	22.6	25.1
	91.8	66.0
Total Group borrowings	95.9	70.0

The Group has the following committed facilities:

	As at 02 April 2022 $m	As at 02 Oct 2021 $m
Total undrawn committed borrowing facilities	135.8	164.1
Bank loans and overdrafts utilised	69.2	40.9
Total Group committed 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. The facility matures on 8 September 2024 with a one-year extension option to 8 September 2025. In addition to the revolving credit facility, the Group's U.S. operations have access to a $5.0 million overdraft facility.

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

The RCF is floating rate priced on the U.S. dollar 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.

4.2 Analysis of net debt

	As at 02 Oct 2021 $m	Cash flow $m	Non-cash movements $m	Exchange movements $m	As at 02 April 2022 $m
Cash at bank and in hand	14.1	(1.5)	-	-	12.6
Bank loans	(40.9)	(28.3)	-	-	(69.2)
Interest due on bank loans	-	0.8	(0.8)	-	-
Net debt excluding lease liabilities	(26.8)	(29.0)	(0.8)	-	(56.6)
Lease liabilities	(29.1)	2.6	(0.5)	0.3	(26.7)
Net debt	(55.9)	(26.4)	(1.3)	0.3	(83.3)

Cash flow relating to bank loans consisted of $33.9m proceeds from drawdowns, less $5.6m repayments.

4.3 Finance costs

	26 weeks to 02 April 2022 $m	27 weeks to 03 April 2021 (restated)[1] $m
Interest payable on bank loans and overdrafts	(0.8)	(0.6)
Interest payable in respect of leases	(0.5)	(0.6)
Amortisation of finance fees	(0.3)	(0.3)
U.K. defined benefit pension scheme net interest expense	(0.8)	(0.4)
Contingent Consideration unwind discount	(0.5)	(1.1)
Finance costs	(2.9)	(3.0)

[1] The comparatives for the 27 weeks to 03 April 2021 have been restated to reflect reclassification and phasing adjustments between H1 and H2 in the prior year as disclosed in note 5.6.

4.4 Equity

Share Capital

	No. of shares as at 02 April 2022	Ordinary shares as at 02 April 2022 $m	Share premium as at 02 April 2022 $m	No. of shares as at 02 Oct 2021	Ordinary shares as at 02 Oct 2021 $m	Share premium as at 02 Oct 2021 $m
Called up, allotted and fully paid ordinary shares of £1 each						
At the beginning of the period	31,023,292	50.3	54.3	31,023,292	50.3	54.3
At the end of the period	31,023,292	50.3	54.3	31,023,292	50.3	54.3

Ordinary shareholders are entitled to receive dividends and to vote at meetings of the Company.

Own shares held – Share Buyback Programme

	26 weeks to 02 April 2022 No. of shares	Period ended 02 Oct 2021 No. of shares
Opening balance	-	-
Acquired in the period	658,161	-
Closing balance	658,161	-

In January 2022 the Group commenced a share buyback programme in respect of its ordinary shares up to a maximum consideration of £18.5m. Dividends on the shares have been waived. Purchased shares under the programme are held at cost as treasury shares and deducted from shareholders' equity.

In the 26 weeks to 02 April 2022 658,161 shares have been acquired under the share buyback programme.

Own shares held – Long-Term Incentive Plan

	26 weeks to 02 April 2022 No. of shares	Period ended 02 Oct 2021 No. of shares
Opening balance	334,933	398,560
Acquired in the period	-	95,855
Disposed on exercise of options	(73,219)	(159,482)
Closing balance	261,714	334,933

These shares are held in trust in respect of awards made under the Avon Protection Long-Term Incentive Plan. Dividends on the shares have been waived. The market value of shares held in trust at 02 April 2022 was $4.5m (02 October 2021: $8.8m). The shares are held at cost as treasury shares and deducted from shareholders' equity.

In December 2021 73,219 shares vested under the Avon Protection Long-Term Incentive Plan and were distributed to employees (Year ended 02 October 2021: 159,482 shares vested and distributed to employees in January 2021).

In the 53 weeks ended 02 October 2021 95,855 shares were acquired by the trust.

4.5 Dividends

On 28 January 2022, the shareholders approved a final dividend of 30.6c per qualifying ordinary share in respect of the year ended 02 October 2021. This was paid on 11 March 2022 utilising $9.1m of shareholders' funds.

The Board of Directors has declared an interim dividend of 14.3c (2021: 14.3c) per qualifying ordinary share in respect of the year ending 01 October 2022. This interim dividend will be paid in sterling at the prevailing exchange rate prior to payment on 02 September 2022 to shareholders on the register at the close of business on 05 August 2022. In accordance with accounting standards, this dividend has not been provided for. It will be recognised in shareholders' funds in the 52 weeks to 01 October 2022 and is expected to utilise $4.4m (2021: $4.4m) of shareholders' funds.

Section 5: Other

5.1 Provisions for liabilities and charges

	Property Obligations $m	Contingent consideration $m	Total $m
Balance at 02 October 2021	2.9	6.0	8.9
Payments in the period	-	(3.2)	(3.2)
Unwind of discount on provisions	-	0.5	0.5
Balance at 02 April 2022	2.9	3.3	6.2

Analysis of total provisions	As at 02 April 2022 $m	As at 02 Oct 2021 $m
Non-current	2.9	5.4
Current	3.3	3.5
Total provisions	6.2	8.9

Property obligations relate to leased premises of the Group 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.

The purchase consideration in relation to the Helmets & Armor acquisition included contingent consideration up to a maximum of $25.0m depending on the outcome of certain tenders which were pending at the acquisition date and the level of sales which were generated on these contracts if secured.

At the balance sheet date, the remaining contingent consideration is presented as a provision with a fair value of $3.3m being the present value of the future expected cashflow relating to the contract.

5.2 Defined benefit pension scheme

	As at 02 April 2022 $m	As at 02 Oct 2021 $m
Net pension liability	28.7	68.3

Defined benefit pension scheme

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 15 years. The assets of the plan are held in separate trustee administered funds and are invested by professional investment managers. The Trustee is Avon Rubber Pension Trust Limited, the Directors of which are members of the plan. Three of the Directors are appointed by the Company and two are elected by the members.

The funding of the plan is based on regular actuarial valuations. The most recent finalised actuarial valuation of the plan was carried out at 31 March 2019 when the market value of the plan's assets was £335.8m. The fair value of those assets represented 83% of the value of the benefits which had accrued to members, after allowing for future increase in pensions.

During the period the Group made payments to the fund of $2.6m (HY21: $nil) in respect of scheme expenses and deficit recovery plan payments. In accordance with the deficit recovery plan agreed following the 31 March 2019 actuarial valuation, the Group will make payments of $4.5m in FY22 and $4.7m in FY23 in respect of deficit recovery plan payments and scheme expenses.

The defined benefit plan exposes the Group to actuarial risks such as longevity risk, inflation risk and investment risk.

The Directors have confirmed no additional liability is required to be recognised as a consequence of minimum funding requirements. The trustees have no rights to wind up the scheme or improve benefits without Company consent.

An updated actuarial valuation for IAS 19 purposes was carried out by an independent actuary at 02 April 2022 using the projected unit method.

Movement in net defined benefit liability

	Defined benefit obligation		Defined benefit asset		Net defined benefit liability	
	02 April 2022 $m	02 Oct 2021 $m	02 April 2022 $m	02 Oct 2021 $m	02 April 2022 $m	02 Oct 2021 $m
At 02 October/26 September	(534.7)	(526.3)	466.4	446.7	(68.3)	(79.6)
Included in profit or loss						
Administrative expenses	(0.7)	(1.2)	–	–	(0.7)	(1.2)
Past service cost	–	–	–	–	–	–
Net interest cost	(5.3)	(8.6)	4.5	7.3	(0.8)	(1.3)
	(6.0)	(9.8)	4.5	7.3	(1.5)	(2.5)
Included in other comprehensive income						
Remeasurement gain:						
– Actuarial gain/(loss) arising from:						
– Demographic assumptions	0.2	(0.4)	–	–	0.2	(0.4)
– Financial assumptions	45.4	3.6	–	–	45.4	3.6
– Experience adjustment	(2.9)	7.3	–	–	(2.9)	7.3
– Return on plan assets excluding interest income	–	–	(6.3)	5.7	(6.3)	5.7
	42.7	10.5	(6.3)	5.7	36.4	16.2
Other						
Contributions by the employer	–	–	2.6	2.9	2.6	2.9
Net benefits paid out	10.7	24.5	(10.7)	(24.5)	–	–
FX gain/(loss)	16.3	(33.6)	(14.2)	28.3	2.1	(5.3)
At 02 April/02 October	(471.0)	(534.7)	442.3	466.4	(28.7)	(68.3)

Actuarial assumptions

The main financial assumptions used by the independent qualified actuaries to calculate the liabilities under IAS 19 are set out below:

	02 April 2022 % p.a.	02 Oct 2021 % p.a.
Inflation (RPI)	3.85	3.55
Inflation (CPI)	3.05	2.75
Pension increases post August 2005	2.35	2.30
Pension increases pre August 2005	3.65	3.40
Discount rate for scheme liabilities	2.80	2.00

Plan assets

	02 April 2022 $m	02 Oct 2021 $m
Equities and other securities	168.8	180.7
Liability Driven Investment	121.5	122.9
Secured income fund	67.4	69.5
Infrastructure fund	64.6	67.6
Cash	20.0	25.7
Fair value of assets	**442.3**	**466.4**

Equity securities are valued using quoted prices in active markets where available.

Liability Driven Investments relate to a level 2 pooled investment vehicle which combines a series of LIBOR-earning cash deposits combined with contracts to hedge interest rate and inflation risk. The LDI is valued using a Net Asset Value published on the Irish Stock Exchange.

Holdings in unquoted securities and infrastructure funds are classified as level 3 within the fair value hierarchy. Holdings unquoted securities are valued at fair value which is typically the Net Asset Value provided by the fund administrator at the most recent quarter end. Holdings in the infrastructure fund are valued by an independent valuer using a model-based valuation such as a discounted cash flow approach. The significant assumptions used in the valuation are the discount rate and the expected cash flow, both of which are subject to estimation uncertainty.

5.3 Cash flow from operations

	26 weeks to 02 April 2022 $m	27 weeks to 03 April 2021 (restated) $m
Continuing operations		
(Loss)/profit for the period	(10.7)	0.5
Adjustments for:		
Taxation	(2.9)	(0.1)
Depreciation	4.7	4.5
Amortisation of intangible assets	6.2	9.1
Impairments	4.2	-
Defined benefit pension scheme cost	0.7	0.4
Finance costs	2.9	3.0
Change in contingent consideration	-	(2.2)
Fair value of share-based payments	0.5	0.7
Acquisition costs expensed	-	1.9
Restructuring costs expensed (excluding impairments)	1.0	-
Transaction costs expensed	0.8	-
Increase in inventories	(10.9)	(1.9)
Decrease/(increase) in receivables	10.6	(5.4)
(Decrease)/increase in payables and provisions	(1.9)	2.6
Cash flow from continuing operations before exceptional items	5.2	13.1
Restructuring costs paid	(0.8)	-
Acquisition costs paid	-	(4.4)
Cash flow from continuing operations	4.4	8.7
Discontinued operations		
Profit for the period	(1.2)	(1.4)
Adjustments for:		
Taxation	(0.3)	(0.4)
(Increase)/decrease in inventories	0.2	-
Increase/(decrease) in payables and provisions	0.7	0.2
Cash flow from discontinued operations	(0.6)	(1.6)
Cash flow from operations	3.8	7.1

5.4 Exchange rates

The following significant exchange rates applied during the period.

	Average rate 02 April 2022	Closing rate 02 April 2022	Average rate 03 April 2021	Closing rate 03 April 2021	Closing rate 02 Oct 2021
GBP	0.7438	0.7614	0.7423	0.7253	0.7384

5.5 Acquisitions

Acquisition – Team Wendy

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

The Group acquired 100% of the equity for a total consideration of $132.0m, being the $130.0m initial consideration and purchase price adjustments of $2.0m reflecting the cash and working capital position at close. The net assets acquired had a book value of $22.3m before fair value adjustments.

Set out below is an analysis of the assigned fair values of the assets acquired and liabilities assumed relating to this acquisition:

	Fair value $m
Customer relationships	28.2
Brand	10.4
Other intangible assets	13.1
Property, plant and equipment	8.7
Inventories	12.2
Trade Debtors and other receivables	5.8
Cash	1.1
Lease liability	(3.1)
Trade and other payables	(2.7)
Net assets acquired	73.7
Goodwill	58.3
Total consideration	132.0

Initial cash consideration	130.0
Post completion working capital adjustment	0.9
Cash acquired	1.1
Total consideration	132.0

5.6 Restatements

The comparatives for the half year to 03 April 2021 have been restated to reflect the reclassification and phasing adjustments between H1 and H2 in the prior year. The reclassification and phasing adjustments do not impact the Group's reported 2021 full year results.

A reconciliation of previously reported figures for the half year to 03 April 2021 to restated figures is presented below:

Consolidated Statement of Comprehensive Income for the 27 weeks ended 03 April 2021	Previously reported	Phasing adjustments	Classification adjustments	Restated
	$m	$m	$m	$m
Continuing operations				
Revenue	122.0	-	-	122.0
Cost of sales	(81.1)	(4.0)	(0.9)	(86.0)
Gross profit	40.9	(4.0)	(0.9)	36.0
Selling and distribution costs	(10.7)	-	-	(10.7)
General and administrative expenses	(24.0)	(1.0)	3.1	(21.9)
Operating profit	6.2	(5.0)	2.2	3.4
Finance costs	(0.8)	-	(2.2)	(3.0)
Profit before taxation	5.4	(5.0)	-	0.4
Taxation	(1.0)	1.1	-	0.1
Profit for the period from continuing operations	4.4	(3.9)	-	0.5
Discontinued operations				
Loss from discontinued operations	(1.4)	-	-	(1.4)
(Loss)/profit for the period	3.0	(3.9)	-	(0.9)

Consolidated Balance Sheet as at 03 April 2021	Previously reported	Phasing adjustments	Classification adjustments	Restated
	$m	$m	$m	$m
Intangible Assets	206.6	(1.0)	-	205.6
Inventories	55.1	(4.0)	-	51.1
Current tax liabilities	(1.5)	1.1	-	(0.4)

Phasing adjustments relate to charges previously included in the Group's H2 FY21 results. On further review these adjustments should have been made in the Group's H1 FY21 results, which have therefore been restated accordingly. The adjustments are as follows:

- One-off, non-cash, inventory adjustments of $4.0m, as announced in the Group's FY21 trading update on 13 October 2021 which corrected inventory costing.
- $1.0m charged to general and administrative expenses, previously incorrectly capitalised as an intangible asset in H1 FY21.
- $1.1m relating to the tax impact of these adjustments.

Classification adjustments relate to changes in the P/L line items in H1 FY21 to ensure consistent presentation with previous periods. The adjustments include a $2.2m reclassification from finance costs to general and administrative expenses, relating to a credit for changes in discounting component of the contingent consideration fair value movements which were previously presented within finance costs. Other adjustments relate to reclassifications between general and administrative expenses and cost of sales. The $0.9m is made up of $2.4m stock less a payroll related credit of $1.5m.

In addition to the restatements above $4.4m acquisition costs paid have been reclassified to cash flow from operations. In H1 FY21 these were disclosed within cash flow used in investing activities, under the category "Acquisition of business" when they should have been included in the Net cash flow from / (used in) operating activities.

There will be no impact on the Group's reported 2021 full year results for any of the above as these were appropriately presented in the 2021 full year financial statements.

5.7 Principal risks and uncertainties

The nature of the principal risks and uncertainties impacting the Group are described on pages 52-57 of our 2021 Annual Report and remain unchanged at 02 April 2022.

The principal risks include the delivery of strategic projects and new product introduction, market threat to core business, talent management, cybersecurity and information technology, customer dependency, financial management, manufacturing risk, compliance and legal matters and political and economic instability. There has been an increase in the significance and potential financial impact of two of the principal risks at 02 April 2022. The first is the financial management risk of a reduction in profitability due to manufacturing inefficiency and product mix. The second is the customer dependency risk of over reliance on the DOD and its funding and contracting process, such that when these processes are delayed, shipments and revenue can be delayed and there can be a shortfall if sufficient mitigation is not available through sales to commercial and rest of world customers.

5.8 Related party transactions

There were no related party transactions during the period or outstanding at the end of the period (2021: nil) other than internal transactions between Group companies, and compensation of key management personnel which will be disclosed as required in the Group's Annual Report for the 52 weeks ending 01 October 2022.