AVON PROTECTION PLC
("Avon Protection", "Avon" or the "Group")

AVON PROTECTION PLC

PRELIMINARY RESULTS FOR THE 52 WEEKS ENDED 30 SEPTEMBER 2023

EXCELLENT STRATEGIC PROGRESS, SETTING AVON UP FOR THE FUTURE

Jos Sclater, Chief Executive Officer, said:

"We made excellent strategic progress during 2023 and enter 2024 with a stronger, more stable business. We are now entering the transform stage of our strategy with a focus on delivering improved margins, cash flow and returns on capital for our shareholders. Avon has an exciting future and is well positioned to become the largest supplier of ballistic helmets to the U.S. Department of Defense, complementing our existing position as the leading provider of respiratory products to the DOD and other NATO countries.

I want to thank all our employees for the tenacity they have shown in overcoming a number of major challenges during 2023, including successfully exiting our loss-making armour business and ramping up production of the next generation IHPS helmet for the U.S. DOD. It is this dedication that will enable Avon Protection to deliver its strategy in the medium term, protecting more lives through our innovative products."

52 weeks ended:	30 September 2023	1 October 2022	Change	Change (constant currency)[4]
Continuing operations[1]				
Orders received	$258.7m	$267.9m	(3.4%)	(2.9%)
Closing order book	$135.8m	$120.9m	12.3%	10.9%
Revenue	$243.8m	$263.5m	(7.5%)	(7.5%)
Adjusted[2] EBITDA	$35.7m	$38.8m	(8.0%)	(13.6%)
Adjusted[2] operating profit	$21.2m	$23.4m	(9.4%)	(18.5%)
Adjusted[2] profit before tax	$14.0m	$19.7m	(28.9%)	(37.5%)
Adjusted[2] basic earnings per share	40.3c	54.7c	(26.3%)	(35.2%)
Total dividend per share	29.6c	44.9c	(34.1%)	
Net debt excluding lease liabilities	$64.5m	$44.2m	45.9%	
Statutory results				
Operating (loss)/profit from continuing operations[3]	$(12.6)m	$11.0m		
(Loss)/profit before tax from continuing operations	$(20.2)m	$6.0m		
(Loss)/profit for the period	$(14.4)m	$(7.6)m		
Basic loss per share[2]	(48.0c)	(25.1c)		
Net debt	$85.4m	$68.0m		

Results in-line with expectations and order book to support growth in 2024

- Robust order intake of $258.7 million and closing order book of $135.8 million.
- Revenue in line with expectations, with strong growth in Head Protection following the commencement of deliveries of NG IHPS helmets, partially offsetting expected weaker demand in Respiratory Protection, resulting in year-on-year revenue decline of 7.5% at constant currency.

- Adjusted operating profit margin of 8.7% (FY22: 8.9%), with lower revenue in the higher margin Respiratory Protection business and manufacturing ramp-up costs in Head Protection, offset by favourable Respiratory Protection product mix, lower freight costs and lower central overheads.
- Cash conversion of 7.0%, with a high receivables balance driven by a large number of orders shipped in the final month of the period, and inventory build in support of 2024 Head Protection deliveries.
- Net debt excluding lease liabilities of $64.5 million and leverage of 1.9 times bank adjusted EBITDA (versus 2.6 times at the half-year), reflecting improved profitability and the movement of the Armour business into discontinued operations.
- Return on invested capital of 8.7% (FY22: 9.0%), with the reduction in operating profit partially offset by a lower capital base following an impairment to goodwill.

Good strategic and operational progress

We have made good progress in implementing initiatives as part of our STAR strategy:

- Strengthen – Exited the Armour business on-time and to plan. SBU leadership teams embedded and strategy cascaded throughout the business. Continued strengthening of teams in key areas. Launch of new mission, vision and values.
- Transform – Focus is now on our transformation programme which is expected to deliver mid-teens operating margins, and improved return on capital and cash flow, through 5 key elements; footprint optimisation, operational efficiency, commercial optimisation, functional excellence and programme management excellence.
- Advance – Respiratory Protection focused on rebuilding the sales pipeline, winning the NSPA contract for boots and gloves and building a strong pipeline for rebreathers. Head Protection focused on ensuring we have the capacity and capability to fulfil demand.
- Revolutionise – Success in securing a number of funded research and development programmes including new filter technology, shallow water rebreather and traumatic brain injury mitigation.

Outlook and FY24 guidance

- High-single-digit revenue growth for the Group:
  - Strong growth in Head Protection revenue, with growing commercial helmet sales, full year of NG IHPS and H2 ramp in ACH GEN II deliveries, supported by strong orders
  - Continued soft demand for respiratory products, with opportunities for growth in rebreather revenue.
  - Revenue expected to be H2 weighted.
- Solid operating margin progression – expected outturn close to 10%:
  - Strong recovery in Head Protection margin from operational leverage and efficiency improvements.
  - Margin improvement from transformation expected to start from H2.
- Dividend rebased as part of revised capital allocation policy focused on margin progression, organic growth and debt reduction.
- Net debt position expected to reduce, with strong operating cash flows and rebased dividend partially offset by investment in transformation and increased pension contributions.

Notes:

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

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

[3] Reported operating loss includes $6.3 million amortisation of acquired intangibles, restructuring costs of $1.4 million, impairment of non-current assets and goodwill of $24.6 million and transition costs of $1.5 million. See adjusted performance measures section for full breakdown of adjustments and comparatives.

[4] Constant currency measures are provided in the adjusted performance measures section.

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Analyst and investor webcast

Jos Sclater, Chief Executive Officer, and Rich Cashin, Chief Financial Officer, will host a presentation for analysts and investors at 9.00am this morning, at Peel Hunt, 100 Liverpool Street, EC2M 2AT. The presentation will also be broadcast live at: https://brrmedia.news/AvonProtection_fy_results

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.

Capital markets day

The company will be hosting a capital markets day in London on 8th February 2024. Further details will be provided in due course.

About Avon Protection:

Avon Protection make products that are trusted to protect the world's militaries and first responders.

Our dedicated teams achieve this by developing mission-critical solutions that enhance our customers' performance, efficiency and capability, whilst providing ever-increasing levels of protection.

With a portfolio that includes respiratory and head protection systems, we are renowned for our innovative thinking and our steadfast approach to manufacturing unrivalled products.

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

CEO REVIEW

LOTS DONE. LOTS TO DO.

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

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

STRENGTHEN

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

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

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

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

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

TRANSFORM

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

The transformation programme has been split into five workstreams with dedicated teams, and most importantly defined costs and benefits. Furthermore, we have aligned the incentives of the business to these initiatives with

a greater focus on profit and average working capital turns for our annual bonus scheme, and an emphasis on 2026 earnings and ROIC for our longer-term incentive plans.

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

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

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

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

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

ADVANCE – RESPIRATORY PROTECTION

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

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

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

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

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

ADVANCE – HEAD PROTECTION

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

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

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

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

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

REVOLUTIONISE

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

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

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

SUSTAINABILITY

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

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

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

CAPITAL ALLOCATION POLICY

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

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

FINANCIAL REVIEW

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

52 weeks ended:	30 September 2023	1 October 2022	Change	Change (constant currency)[4]
Continuing operations[1]				
Orders received	**$258.7m**	$267.9m	(3.4%)	(2.9%)
Closing order book	**$135.8m**	$120.9m	12.3%	10.9%
Revenue	**$243.8m**	$263.5m	(7.5%)	(7.5%)
Adjusted[2] EBITDA	**$35.7m**	$38.8m	(8.0%)	(13.6%)
Adjusted[1] EBITDA margin	**14.6%**	14.7%	(10bps)	(110bps)
Adjusted[2] operating profit	**$21.2m**	$23.4m	(9.4%)	(18.5%)
Adjusted[2] operating profit margin	**8.7%**	8.9%	(20bps)	(120bps)
Adjusted[2] net finance costs	**$(7.2)m**	$(3.7)m	94.6%	100.0%
Adjusted[2] profit before tax	**$14.0m**	$19.7m	(28.9%)	(37.5%)
Adjusted[2] taxation	**$(1.9)m**	$(3.1)m		
Adjusted[2] profit/(loss) after tax	**$12.1m**	$16.6m		
Adjusted[2] basic earnings per share	**40.3c**	54.7c	(26.3%)	(35.2%)
Total dividend per share	**29.6c**	44.9c	(34.1%)	
Net debt excluding lease liabilities	**$64.5m**	$44.2m	45.9%	
Cash conversion	**7.0%**	151.3%		
Return on invested capital[2]	**8.7%**	9.0%		
Statutory results				
Operating (loss)/profit from continuing operations[3]	**$(12.6)m**	$11.0m		
Net finance costs	**$(7.6)m**	$(5.0)m		
(Loss)/profit before tax from continuing operations	**$(20.2)m**	$6.0m		
Taxation	**$3.8m**	$(0.3)m		
(Loss)/profit after tax from continuing operations	**$(16.4)m**	$5.7m		
Profit/(loss) from discontinued operations	**$2.0m**	$(13.3)m		
Loss for the period	**$(14.4)m**	$(7.6)m		
Basic loss per share	**(48.0c)**	(25.1c)		
Net debt	**$85.4m**	$68.0m		

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

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

3 Reported operating loss includes $6.3 million amortisation of acquired intangibles, restructuring costs of $1.4 million, impairment of non-current assets and goodwill of $24.6 million and transition costs of $1.5 million. See Adjusted Performance Measures section for full breakdown of adjustments and comparatives.

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

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

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

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

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

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

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

Adjusted operating profit of $21.2 million (2022: $23.4 million) is after adjusted depreciation, amortisation and impairment of $14.5 million (FY22: $15.4 million), resulting in an adjusted operating profit margin of 8.7% (2022: 8.9%) down 20bps (down 120bps constant currency) on the prior year.

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

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

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

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

	FY23 $m	FY22 $m
Statutory operating (loss)/profit	(12.6)	11.0
Amortisation of acquired intangibles	6.3	6.8
Impairment of goodwill and other non-current assets	24.6	4.0
Restructuring costs	1.4	1.6
Transaction costs	1.5	-
Adjusted operating profit	21.2	23.4

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

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

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

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

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

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

Segmental performance

	FY23			FY22		
$m	Respiratory Protection	Head Protection	Total	Respiratory Protection	Head Protection	Total
Revenue	156.9	86.9	243.8	193.0	70.5	263.5
Adjusted EBITDA	36.6	(0.9)	35.7	42.4	(3.6)	38.8
Adjusted EBITDA margin	23.3%	(1.0%)	14.6%	22.0%	(5.1%)	14.7%
Adjusted operating profit	29.3	(8.1)	21.2	33.5	(10.1)	23.4
Adjusted operating profit margin	18.7%	(9.3%)	8.7%	17.4%	(14.3%)	8.9%

Adjusted operating profit margin within the Respiratory Protection business improved despite the fall in revenue, growing from 17.4% in FY22 to 18.7% in FY23. This was due to a product mix shift away from lower margin sales

on the NSPA framework in the prior period, and repricing on a couple of key products. Beyond these mix effects, rapid action to right-size the cost base was taken in light of the weaker demand environment.

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

Research and development expenditure

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

Continuing operations	FY23 $m	FY22 $m
Total expenditure	10.2	10.9
Less customer funded	(1.2)	(1.4)
Group expenditure	9.0	9.5
Capitalised	(3.1)	(5.8)
Income statement impact	5.9	3.7
Amortisation and impairment of development expenditure	4.3	6.5
Total income statement impact	10.2	10.2
Revenue	243.8	263.5
R&D spend as a % of revenue	4.2%	4.1%

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

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

Net debt and cash flow

	FY23 $m	FY22 $m
Adjusted continuing EBITDA	35.7	38.8
Share-based payments and defined benefit pension scheme costs	1.7	1.8
Working capital	(34.9)	18.1
Cash flows from continuing operations before exceptional items	2.5	58.7
Restructuring and transaction costs paid	(2.3)	(1.0)
Cash flows from continuing operations	0.2	57.7
Cash flows from discontinued operations	3.2	(24.2)
Cash flow from operations	3.4	33.5

Payments to pension plan	-	(8.5)
Net finance costs	(6.6)	(3.4)
Net repayment of leases	(3.0)	(3.2)
Tax received	3.7	3.7
Capital expenditure	(11.0)	(8.9)
Discontinued operation disposals, investing and financing cash flows	6.6	(4.4)
Purchase of own shares - share buyback	-	(12.4)
Dividends to shareholders	(13.4)	(13.4)
Foreign exchange on cash	-	(0.4)
Change in net debt	(20.3)	(17.4)
Opening net debt, excluding lease liabilities	(44.2)	(26.8)
Closing net debt, excluding lease liabilities	(64.5)	(44.2)

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

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

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

Net debt was $85.4 million (2022: net debt $68.0 million), which includes lease liabilities of $20.9 million (2022: $23.8 million). Excluding lease liabilities, net debt was $64.5 million (2022: net debt $44.2 million).

Defined benefit pension scheme

The Group operated a contributory defined benefits plan to provide pension and death benefits for the employees of Avon Protection plc and its Group undertakings in the U.K. employed prior to 31 January 2003. The plan was closed to future accrual of benefit on 1 October 2009 and has a weighted average maturity of approximately 11 years. The net pension liability for the scheme amounted to $40.2 million as at 30 September 2023 (2022: $6.3 million). The increase is mainly due to adverse actuarial experience adjustments.

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

Foreign exchange and interest rate risk management

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

RCF borrowings are floating rate priced using the U.S. Secured Overnight Financing Rate (SOFR). In 2022 the Group implemented a hedging policy using interest rate swaps to fix a portion of SOFR floating rate interest. The notional value of active interest rate swaps at 30 September 2023 was $30.0 million (2022: $30.0 million), expiring

on 8 September 2025. The Group also has additional interest rate swaps in place with a notional value of $20.0 million starting on 8 September 2025 and expiring on 8 September 2026 (2022: $nil). The financial value of interest rate swaps at 30 September 2023 was $0.9 million (2022: $0.5 million), an asset position as hedged fixed rates are lower than current market forecasts for SOFR.

Dividends

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

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

Jos Sclater Chief Executive Officer 21 November 2023	Rich Cashin Chief Financial Officer 21 November 2023

Forward-looking statements

Certain statements in this 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 full annual report will be made available on 12 December 2023 on the Company's website 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.

Performance measurement

The Directors assess the operating performance of the Group based on adjusted measures of EBITDA, operating profit, net finance costs, taxation and earnings per share, as well as other measures not defined under IFRS including orders received, closing order book, EBITDA margin, operating profit margin, return on invested capital, cash conversion, net debt excluding lease liabilities, average working capital turns, and constant currency equivalents for relevant metrics. These are collectively described as Adjusted Performance Measures (APMs).

The Directors believe that the APMs provide a useful comparison of business trends and performance. The APMs exclude exceptional items considered unrelated to the underlying trading performance of the Group. The term adjusted is not defined under IFRS and may not be comparable with similarly titled measures used by other companies. The Group uses these measures for planning, budgeting and reporting purposes and for its internal assessment of the operational performance.

Adjusted Performance Measures

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

	52 weeks ended 30 September 2023			52 weeks ended 1 October 2022 (restated)[1]		
Continuing operations	Adjusted $m	Adjustments $m	Total $m	Adjusted $m	Adjustments $m	Total $m
Revenue	243.8	–	243.8	263.5	–	263.5
Cost of sales	(157.9)	–	(157.9)	(174.6)	–	(174.6)
Gross profit	85.9	–	85.9	88.9	–	88.9
Sales and marketing expenses	(14.9)	–	(14.9)	(15.0)	–	(15.0)
Research and development costs	(10.0)	(0.2)	(10.2)	(8.8)	(1.4)	(10.2)
General and administrative expenses	(39.8)	(33.6)	(73.4)	(41.7)	(11.0)	(52.7)
Operating profit/(loss)	21.2	(33.8)	(12.6)	23.4	(12.4)	11.0
EBITDA	35.7	(2.9)	32.8	38.8	(1.6)	37.2
Depreciation, amortisation and impairment	(14.5)	(30.9)	(45.4)	(15.4)	(10.8)	(26.2)
Operating profit/(loss) (note 1)	21.2	(33.8)	(12.6)	23.4	(12.4)	11.0
Net finance costs (note 2)	(7.2)	(0.4)	(7.6)	(3.7)	(1.3)	(5.0)
Profit/(loss) before taxation	14.0	(34.2)	(20.2)	19.7	(13.7)	6.0
Taxation (note 3)	(1.9)	5.7	3.8	(3.1)	2.8	(0.3)
Profit/(loss) for the period from continuing operations	12.1	(28.5)	(16.4)	16.6	(10.9)	5.7
Discontinued operations – profit/(loss) from discontinued operations (note 4)	–	2.0	2.0	–	(13.3)	(13.3)
Profit/(loss) for the period (note 5)	12.1	(26.5)	(14.4)	16.6	(24.2)	(7.6)
Basic (loss)/earnings per share	40.3c	(88.3c)	(48.0c)	54.7c	(79.8c)	(25.1c)
Diluted (loss)/earnings per share	40.3c	(88.3c)	(48.0c)	54.4c	(79.3c)	(24.9c)

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect reclassification of research and development costs, reclassification of selling and distribution costs, and the discontinuation of the Armour business. These are disclosed in APMs note 13.

1 Adjustments to operating loss

Adjusted operating profit excludes discontinued operations and exceptional items considered unrelated to the underlying trading performance of the Group. Transactions are classified as exceptional where they relate to an event that falls outside of the underlying trading activities of the business and where individually, or in aggregate, they have a material impact on the financial statements.

	2023 $m	2022 (restated)[1] $m
Operating (loss)/profit	(12.6)	11.0
Amortisation of acquired intangibles	6.3	6.8
Restructuring costs	1.4	1.6
Restructuring-related impairment of non-current assets	0.7	0.4
Impairment of other non-current assets (excluding restructuring related impairments)	0.5	3.6
Impairment of goodwill	23.4	–
Transition costs	1.5	–
Adjusted operating profit	21.2	23.4
Depreciation	9.2	9.1
Other impairment charges	–	0.4
Other amortisation charges	5.3	5.9
Adjusted EBITDA	35.7	38.8

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business.

Amortisation of acquired intangibles

Amortisation charges for acquired intangible assets of $6.3 million (2022: $6.8 million) are considered exceptional as they do not change each period based on underlying business trading and performance.

Restructuring costs

Restructuring costs related to the right-sizing of operations were $1.4 million (2022: $1.6 million). These costs are considered exceptional as they relate to specific programmes which do not form part of the underlying business trading and performance.

Restructuring-related impairment of non-current assets

Restructuring-related impairment of non-current assets was $0.7 million. This related to the closure of one of our U.S. offices, with a $0.5 million impairment to right of use assets (2022: $0.4 million impairment), and $0.2 million impairment to plant and machinery (2022: $nil). These costs are considered exceptional as they relate to a specific office closure which does not form part of the underlying business trading and performance.

Impairment of other non-current assets

Reviews of the Group's non-current assets resulted in $0.5 million exceptional impairment losses (2022: $3.6 million) as the carrying value of certain product group level cash-generating units (CGUs) exceeded estimated recoverable amounts. Further details are provided in note 3.1. The impairment losses are significant items resulting from changes in assumptions for future recoverable amounts. As such they are considered unrelated to current or prior year trading performance.

In the prior period the Group also recognised $0.4 million other non-current asset impairments that were not considered exceptional (note 3.1).

Impairment of goodwill

Review of the Head Protection CGU resulted in impairment to goodwill of $23.4 million (2022: $nil) as the carrying value of the CGU exceeded its estimated recoverable amount. Further details are provided in note 3.1. The impairment is a significant item based on forecast assumptions for future cash flows. As such it is considered unrelated to current year trading performance.

Transition costs

Transition costs of $1.5 million (2022: $nil) related to the transfer of legacy Team Wendy operations in Head Protection onto a Group controlled ERP system. These costs are considered transition-related and exceptional as they relate to a specific programme for Team Wendy operations that was only required as a result of acquisition in November 2020.

2 Adjustments to net finance costs

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

	2023 **$m**	**2022** **(restated)[1]** **$m**
Net finance costs	7.6	5.0
Defined benefit pension unwind discount	(0.4)	(1.3)
Adjusted net finance costs	7.2	3.7

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business.

$0.4 million (2022: $1.3 million) unwind of discounting on the U.K. defined benefit pension scheme liability is treated as exceptional given the scheme relates to employees employed prior to 31 January 2003 and was closed to future accrual of benefits on 1 October 2009.

3 Adjustments to taxation

Adjustments to taxation represent the tax effects of the adjustments to operating profit and net finance costs. Except for the impairment to goodwill, adjusting items do not have significantly different effective tax rates compared to statutory rates, with an overall effective rate of 17% (2022: 20%).

The $23.4 million impairment of goodwill resulted in a tax credit of $3.4 million (effective tax rate 14.5%), which explains the lower overall rate compared to statutory rates on the total level of adjustments.

4 Profit from discontinued operations

The adjusted profit measures exclude the result from discontinued operations relating to the divestment of milkrite | InterPuls and closure of the Armour business (note 2.2).

During the period, total profit after tax from discontinued operations was $2.0 million (2022: loss after tax of $13.3 million).

5 Adjustments to loss for the period

	2023 $m	2022 (restated)[1] $m
Loss for the period	(14.4)	(7.6)
Amortisation of acquired intangibles	6.3	6.8
Restructuring costs	1.4	1.6
Restructuring-related impairment of non-current assets	0.7	0.4
Impairment of other non-current assets (excluding restructuring-related impairments)	0.5	3.6
Impairment of goodwill	23.4	–
Transition costs	1.5	–
Defined benefit pension unwind discount	0.4	1.3
Tax on exceptional items	(5.7)	(2.8)
(Profit)/loss from discontinued operations	(2.0)	13.3
Adjusted profit for the period	12.1	16.6

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business.

6 Adjusted earnings per share

Weighted average number of shares	2023	2022
Weighted average number of ordinary shares in issue used in basic calculation (thousands)	29,996	30,308
Potentially dilutive shares (weighted average) (thousands)	263	221
Diluted number of ordinary shares (weighted average) (thousands)	30,259	30,529

Adjusted continuing earnings per share	2023 $ cents	2022 (restated)[1] $ cents
Basic	40.3c	54.7c
Diluted	40.3c	54.4c

7 Net debt

	2023 $m	2022 $m
Cash and cash equivalents	13.2	9.5
Bank loans	(77.7)	(53.7)
Net debt excluding lease liabilities	(64.5)	(44.2)
Lease liabilities	(20.9)	(23.8)
Net debt including lease liabilities	(85.4)	(68.0)

8 Adjusted dividend cover ratio

	2023 $ cents	2022 (restated)[1] $ cents
Interim dividend	14.3c	14.3c
Final dividend	15.3c	30.6c
Total dividend	29.6c	44.9c
Adjusted basic earnings per share	40.3c	54.7c
Adjusted dividend cover ratio	1.4 times	1.2 times

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business.

9 Return on invested capital

Return on invested capital (ROIC) is calculated as adjusted operating profit over average invested capital relating to continuing operations.

	2023 $m	2022 $m
Net assets	159.4	210.5
Net assets associated with discontinued operations	(5.6)	(8.4)
Net assets associated with continuing operations	153.8	202.1
Net debt excluding lease liabilities	64.5	44.2
Lease liabilities (excluding liabilities associated with discontinued operations)	20.9	14.5
Pension	40.2	6.3
Derivatives	(0.9)	(0.5)
Net tax	(33.2)	(25.1)
Total invested capital	245.3	241.5
Average invested capital	243.4	261.3
Adjusted operating profit	21.2	23.4
ROIC	8.7%	9.0%

Average invested capital	2023 $m	2022 $m
Current period invested capital	245.3	241.5
Prior period invested capital	241.5	281.0
Average invested capital	243.4	261.3

10 Average working capital turn (AWCT)

AWCT is the ratio of the 12 month average month end working capital (defined as the total of inventory, receivables and payables excluding lease liabilities) to revenue, based on continuing operations.

Continuing operations	**2023 $m**	**2022 $m**
12 month average month end working capital	65.7	48.2
Revenue	243.8	263.5
AWCT	3.7	5.5

11 Cash conversion

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

	2023 $m	**2022 (restated)[1] $m**
Cash flows from continuing operations before exceptional items	2.5	58.7
Adjusted EBITDA	35.7	38.8
Cash conversion	7.0%	151.3%

	2023 $m	**2022 (restated)[1] $m**
Cash flows from continuing operations	0.2	57.7
Restructuring and transition costs paid	2.3	1.0
Cash flows from continuing operations before exceptional items	2.5	58.7

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business.

12 Constant currency reporting

Constant currency measures are calculated by translating the prior period at current period exchange rates.

Continuing operations	**2023 $m**	**2022 (restated)[1] $m**
Orders received	258.7	266.3
Closing order book	135.8	122.5
Revenue	243.8	263.5
Adjusted EBITDA	35.7	41.3
Adjusted operating profit	21.2	26.0
Adjusted profit before tax	14.0	22.4
Adjusted basic earnings per share	40.3c	62.2c

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business.

13 Restatement of adjusted performance measures

As per statutory equivalents reconciled in note 5.1, prior period comparatives for adjusted performance measures have been restated to present the Armour business as a discontinued operation, and to reclassify certain expenses in the Consolidated Statement of Comprehensive Income.

Expense reclassifications include disclosure of research and development costs as a separate line item below gross profit, and recategorisation of selling and distribution costs. The change in accounting policy provides visibility of research and development costs on the face of the Consolidated Statement of Comprehensive Income when it was previously only reported in the Financial Review. Selling and distribution costs have been disaggregated into sales and marketing expenses, presented in a separate line below gross profit, and freight and distribution costs which have been reclassified into cost of sales.

This presentation reflects the way the business performance will be monitored in future, with separate disclosure of research and development appropriate as an integral part of operations. It is also consistent and comparable with common market practice and therefore provides reliable and more relevant information to the reader. Overall operating loss figures for the previous period remain unchanged as this is only a presentational restatement. A reconciliation of reported prior period to restated figures is presented below:

Consolidated Statement of Comprehensive Income for the 52 weeks ended 1 October 2022

Continuing operations - Adjusted	**Previously reported $m**	**Remove Armour $m**	**Research and development $m**	**Selling and distribution $m**	**Restated $m**
Revenue	271.9	(8.4)	–	–	263.5
Cost of sales	(192.1)	18.5	8.8	(9.8)	(174.6)
Gross profit	79.8	10.1	8.8	(9.8)	88.9
Selling and distribution costs / Sales and marketing expenses	(26.0)	1.2	–	9.8	(15.0)
Research and development costs	–	–	(8.8)	–	(8.8)
General and administrative expenses	(43.7)	2.0	–	–	(41.7)
Operating profit	10.1	13.3	–	–	23.4
Net finance costs	(4.0)	0.3	–	–	(3.7)
Profit before tax	6.1	13.6	–	–	19.7

Continuing operations - Adjustments	**Previously reported $m**	**Remove Armour adjustments $m**	**Research and development $m**	**Restated $m**
Revenue	–	–	–	–
Cost of sales	(1.6)	1.6	–	–
Gross profit	(1.6)	1.6	–	–
Selling and distribution costs / Sales and marketing expenses	–	–	–	–
Research and development costs	–	–	(1.4)	(1.4)
General and administrative expenses	(10.6)	(1.8)	1.4	(11.0)
Operating profit/(loss)	(12.2)	(0.2)	–	(12.4)
Net finance costs	(2.4)	1.1	–	(1.3)
Profit before tax	(14.6)	0.9	–	(13.7)

Consolidated Statement of Comprehensive Income
For the 52 weeks ended 30 September 2023

Continuing operations	Note	52 weeks ended 30 September 2023 $m	52 weeks ended 1 October 2022 (restated)[1] $m
Revenue	2.1	243.8	263.5
Cost of sales		(157.9)	(174.6)
Gross profit		85.9	88.9
Sales and marketing expenses		(14.9)	(15.0)
Research and development costs		(10.2)	(10.2)
General and administrative expenses		(73.4)	(52.7)
Operating (loss)/profit		(12.6)	11.0
Net finance costs	4.3	(7.6)	(5.0)
(Loss)/profit before taxation		(20.2)	6.0
Taxation		3.8	(0.3)
(Loss)/profit for the period from continuing operations		(16.4)	5.7
Discontinued operations			
Profit/(loss) from discontinued operations	2.2	2.0	(13.3)
(Loss)/profit for the period		(14.4)	(7.6)
Other comprehensive income/(expense)			
Items that are not subsequently reclassified to the income statement			
Remeasurement (loss)/gain recognised on retirement benefit scheme		(31.8)	50.1
Deferred tax relating to retirement benefit scheme		6.9	(9.6)
Deferred tax relating to change in tax rates		1.1	(3.4)
Deferred tax relating to other temporary differences		(0.2)	(0.1)
Items that may be subsequently reclassified to the income statement			
Deferred tax exchange differences offset in reserves		0.8	(2.7)
Other exchange differences offset in reserves		(0.5)	3.5
Cash flow hedges		0.4	0.5
Current tax relating to cash flow hedges		–	(0.1)
Other comprehensive (expense)/income for the period		(23.3)	38.2
Total comprehensive (expense)/income for the period		(37.7)	30.6
Earnings per share			
Basic		(48.0c)	(25.1c)
Diluted		(48.0c)	(24.9c)
Earnings per share from continuing operations			
Basic		(54.7c)	18.8c
Diluted		(54.7c)	18.7c

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect reclassification of research and development costs, reclassification of selling and distribution costs, and the discontinuation of the Armour business. These are disclosed in note 5.1.

Consolidated Balance Sheet At 30 September 2023

	Note	At 30 September 2023 $m	At 1 October 2022 $m
Non-current assets			
Intangible assets	3.1	139.2	171.0
Property, plant and equipment		35.8	39.9
Finance leases		6.2	–
Deferred tax assets		40.1	26.7
Derivative financial instruments		0.6	0.3
		221.9	**237.9**
Current assets			
Inventories		54.4	65.6
Trade and other receivables		58.3	30.6
Derivative financial instruments		0.3	0.2
Current tax receivables		–	4.2
Cash and cash equivalents		13.2	9.5
		126.2	**110.1**
Current liabilities			
Borrowings	4.2	4.3	4.1
Current tax payables		0.7	–
Trade and other payables		34.6	42.3
Provisions for liabilities and charges		0.4	0.7
		40.0	**47.1**
Net current assets		**86.2**	**63.0**
Non-current liabilities			
Borrowings	4.2	94.3	73.4
Deferred tax liabilities		6.2	5.8
Retirement benefit obligations		40.2	6.3
Provisions for liabilities and charges		8.0	4.9
		148.7	**90.4**
Net assets		**159.4**	**210.5**
Shareholders' equity			
Ordinary shares		50.3	50.3
Share premium account		54.3	54.3
Other reserves		(13.9)	(14.2)
Cash flow hedging reserve		0.8	0.4
Retained earnings		67.9	119.7
Total equity		**159.4**	**210.5**

Consolidated Cash Flow Statement

For the 52 weeks ended 30 September 2023

	Note	52 weeks ended 30 September 2023 $m	52 weeks ended 1 October 2022 (restated)[1] $m
Cash flows from operating activities			
Cash flows from continuing operations	4.1	0.2	57.7
Cash flows from discontinued operations	4.1	3.2	(24.2)
Cash flows from operations	4.1	3.4	33.5
Retirement benefit deficit recovery contributions		–	(8.5)
Tax received		3.7	3.7
Net cash flows from operating activities		7.1	28.7
Cash flows used in investing activities			
Proceeds from disposal of discontinued operations	2.2	7.9	–
Costs of disposal	2.2	(0.4)	–
Purchase of property, plant and equipment		(7.4)	(2.9)
Capitalised development costs and purchased software	3.1	(3.6)	(6.0)
Other finance income	4.3	0.4	–
Finance lease capital receipts		0.5	–
Investing cash flows used in discontinued operations		–	(3.2)
Net cash flows used in investing activities		(2.6)	(12.1)
Cash flows used in financing activities			
Proceeds from loan drawdowns	4.4	48.0	42.9
Loan repayments	4.4	(24.0)	(30.1)
Finance costs paid in respect of bank loans and overdrafts	4.3	(6.3)	(2.7)
Finance costs paid in respect of leases	4.3	(0.7)	(0.7)
Repayment of lease liability		(3.5)	(3.2)
Dividends paid to shareholders	4.5	(13.4)	(13.4)
Purchase of own shares – Share Buyback Programme		–	(12.4)
Financing cash flows used in discontinued operations		(0.9)	(1.2)
Net cash flows used in financing activities		(0.8)	(20.8)
Net increase/(decrease) in cash and cash equivalents		3.7	(4.2)
Cash and cash equivalents at the beginning of the period		9.5	14.1
Effects of exchange rate changes		–	(0.4)
Cash and cash equivalents at the end of the period		13.2	9.5

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business.

Consolidated Statement of Changes in Equity

For the 52 weeks ended 30 September 2023

	Note	Share capital $m	Share premium $m	Hedging reserve $m	Other reserves $m	Retained earnings $m	Total equity $m
At 2 October 2021		50.3	54.3	–	(15.0)	115.8	205.4
Loss for the period		–	–	–	–	(7.6)	(7.6)
Net exchange differences offset in reserves		–	–	–	0.8	–	0.8
Deferred tax relating to other temporary differences		–	–	–	–	(0.1)	(0.1)
Remeasurement gain recognised on retirement benefit scheme		–	–	–	–	50.1	50.1
Deferred tax relating to change in tax rates		–	–	–	–	(3.4)	(3.4)
Deferred tax relating to retirement benefit scheme		–	–	–	–	(9.6)	(9.6)
Interest rate swaps – cash flow hedge		–	–	0.5	–	–	0.5
Current tax on interest rate swaps – cash flow hedge		–	–	(0.1)	–	–	(0.1)
Total comprehensive income for the period		–	–	0.4	0.8	29.4	30.6
Dividends paid	4.5	–	–	–	–	(13.4)	(13.4)
Own shares acquired		–	–	–	–	(12.4)	(12.4)
Fair value of share-based payments		–	–	–	–	1.0	1.0
Deferred tax relating to employee share schemes charged directly to equity		–	–	–	–	(0.7)	(0.7)
At 1 October 2022		50.3	54.3	0.4	(14.2)	119.7	210.5
Loss for the period		–	–	–	–	(14.4)	(14.4)
Net exchange differences offset in reserves		–	–	–	0.3	–	0.3
Deferred tax relating to other temporary differences		–	–	–	–	(0.2)	(0.2)
Remeasurement loss recognised on retirement benefit scheme		–	–	–	–	(31.8)	(31.8)
Deferred tax relating to retirement benefit scheme		–	–	–	–	6.9	6.9
Deferred tax relating to change in tax rates		–	–	–	–	1.1	1.1
Interest rate swaps – cash flow hedge		–	–	0.4	–	–	0.4
Total comprehensive income for the period		–	–	0.4	0.3	(38.4)	(37.7)
Dividends paid	4.5	–	–	–	–	(13.4)	(13.4)
Fair value of share-based payments		–	–	–	–	0.7	0.7
Deferred tax relating to employee share schemes charged directly to equity		–	–	–	–	(0.7)	(0.7)
At 30 September 2023		50.3	54.3	0.8	(13.9)	67.9	159.4

Other reserves consist of the capital redemption reserve of $0.6 million (2022: $0.6 million) and the translation reserve of $(14.5) million (2022: $(14.8) million). All movements in other reserves relate to the translation reserve.

Notes to the accounts

1 Basis of preparation

Avon Protection plc is a public limited company incorporated and domiciled in England and Wales and its ordinary shares are traded on the London Stock Exchange.

The financial period presents 52 weeks ended 30 September 2023 (prior financial period 52 weeks ended 1 October 2022). The financial statements have been prepared on a going concern basis and in accordance with U.K. adopted International Accounting Standards. The financial statements have been prepared under the historical cost convention except for derivative instruments which are held at fair value.

The financial information set out above does not constitute the company's statutory accounts for the periods ended 30 September 2023 or 1 October 2022 but is derived from those accounts. Statutory accounts for 2022 have been delivered to the registrar of companies, and those for 2023 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2.1 Operating segments

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

The Group has, following a reorganisation, two different continuing operating and reportable segments, these being Head Protection and Respiratory Protection. In the prior period the Group had two continuing operating and reportable segments, Respiratory and Head Protection, and Armour. The Armour business was formally closed in the second half of the 2023 financial period and has therefore been reclassified as into discontinued operations, with comparatives restated accordingly.

52 weeks ended 30 September 2023	**Respiratory Protection $m**	**Head Protection $m**	**Total $m**	**Adjustments and discontinued[1] $m**	**Total $m**
Revenue	156.9	86.9	243.8	–	243.8
Adjusted EBITDA	36.6	(0.9)	35.7	(2.9)	32.8
Depreciation and amortisation	(7.3)	(7.2)	(14.5)	–	(14.5)
Impairment charges	–	–	–	(24.6)	(24.6)
Amortisation of acquired intangibles	–	–	–	(6.3)	(6.3)
Operating profit/(loss)	29.3	(8.1)	21.2	(33.8)	(12.6)
Finance costs			(7.2)	(0.4)	(7.6)
Profit/(loss) before taxation			14.0	(34.2)	(20.2)
Taxation			(1.9)	5.7	3.8
(Loss)/profit for the period from continuing operations			12.1	(28.5)	(16.4)
Discontinued operations – profit for the year			–	2.0	2.0
(Loss)/profit for the year			12.1	(26.5)	(14.4)
Basic earnings per share (cents)			40.3c	(88.3c)	(48.0c)
Diluted earnings per share (cents)			40.3c	(88.3c)	(48.0c)

52 weeks ended 1 October 2022 (restated)[2]	Respiratory Protection $m	Head Protection $m	Total $m	Adjustments and discontinued[1] $m	Total $m
Revenue	193.0	70.5	263.5	–	263.5
Adjusted EBITDA	42.4	(3.6)	38.8	(1.6)	37.2
Depreciation and amortisation	(8.5)	(6.5)	(15.0)	–	(15.0)
Impairment charges	(0.4)	–	(0.4)	(4.0)	(4.4)
Amortisation of acquired intangibles	–	–	–	(6.8)	(6.8)
Operating profit/(loss)	33.5	(10.1)	23.4	(12.4)	11.0
Finance costs			(3.7)	(1.3)	(5.0)
Profit/(loss) before taxation			19.7	(13.7)	6.0
Taxation			(3.1)	2.8	(0.3)
Profit/(loss) for the period from continuing operations			16.6	(10.9)	5.7
Discontinued operations – loss for the year			–	(13.3)	(13.3)
Profit/(loss) for the year			16.6	(24.2)	(7.6)
Basic earnings per share (cents)			54.7c	(79.8c)	(25.1c)
Diluted earnings per share (cents)			54.4c	(79.3c)	(24.9c)

1 Refer to Adjusted Performance Measures section for a full breakdown of adjusted measures, including a reconciliation between adjusted EBITDA and statutory operating profit by line item. The ($2.9) million adjusted EBITDA is the $1.5 million transition costs and $1.4 million of restructuring costs (2022: $1.6 million of restructuring costs).

2 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business.

Revenue by line of business

	52 weeks ended 30 September 2023			52 weeks ended 1 October 2022		
	Respiratory Protection $m	Head Protection $m	Total $m	Respiratory Protection $m	Head Protection $m	Total $m
U.S. DOD	67.1	42.5	109.6	63.2	35.5	98.7
Commercial Americas	30.5	27.0	57.5	40.5	25.2	65.7
U.K. & International	59.3	17.4	76.7	89.3	9.8	99.1
	156.9	86.9	243.8	193.0	70.5	263.5

U.S. DOD revenues, sold directly and through indirect channels, represent the only customer which individually contributes more than 10% to Group revenues.

2.2 Discontinued operations

At 30 September 2023 all outstanding armour orders have been delivered to customers, and Armour operations have fully closed. As such the Armour business has been classified as discontinued, including restatement of prior period comparatives. The closure of Armour included the sale of assets relating to the Lexington facility as further described in the gain on disposal section below.

In September 2020 the Group divested of the milkrite | InterPuls business, resulting in its classification as discontinued. As part of the divestment, the Group entered into a Manufacturing Service Agreement with the purchasers to provide manufacturing support, which was extended to 30 September 2023 during the period. As the activity under this agreement is not part of the continuing operations of the Group, related revenue and costs have been classified as discontinued operations.

	Armour $m	**milkrite | InterPuls $m**	**2023 $m**	**Armour $m**	**milkrite | InterPuls $m**	**2022 $m**
Revenue	30.5	6.2	36.7	8.4	3.2	11.6
Cost of sales	(36.5)	(4.0)	(40.5)	(21.3)	(5.8)	(27.1)
Gross (loss)/profit	(6.0)	2.2	(3.8)	(12.9)	(2.6)	(15.5)
Research and development costs	–	–	–	(0.2)	–	(0.2)
General and administrative expenses	(2.8)	–	(2.8)	(3.9)	–	(3.9)
Release of contingent consideration[1]	–	–	–	3.9	–	3.9
Operating loss	(8.8)	2.2	(6.6)	(13.1)	(2.6)	(15.7)
Finance costs	(0.2)	–	(0.2)	(1.4)	–	(1.4)
(Loss)/profit before taxation	(9.0)	2.2	(6.8)	(14.5)	(2.6)	(17.1)
Taxation	1.8	(0.5)	1.3	3.2	0.6	3.8
(Loss)/profit from discontinued operations related to trading	(7.2)	1.7	(5.5)	(11.3)	(2.0)	(13.3)
Gain on disposal before tax	9.1	–	9.1	–	–	–
Tax on disposal	(1.6)	–	(1.6)	–	–	–
Gain on disposal after tax	7.5	–	7.5	–	–	–
Total profit/(loss) from discontinued operations	0.3	1.7	2.0	(11.3)	(2.0)	(13.3)
Basic earnings per share	1.0c	5.7c	6.7c	(37.3c)	(6.6c)	(43.9c)
Diluted earnings per share	1.0c	5.7c	6.7c	(37.0c)	(6.6c)	(43.6c)

1 In 2022 revenue expectations from the DLA ESAPI body armour contract were reduced, resulting in a gain of $3.9 million on release of the net present value of contingent consideration payable.

Gain on disposal – Armour

In the second half of the financial period the Group completed the sale of Armour assets at the Lexington facility for cash consideration of $7.4 million. The sale agreement also included a sublease of the Lexington facility to the purchaser. The Group has retained its lease liabilities relating to the Lexington head lease. The Group also separately disposed of other Armour assets for cash consideration of $0.5 million.

The total gain on disposal relating to Armour operations is reconciled below.

	2023 $m
Cash consideration received – Lexington	7.4
Cash consideration received – other assets	0.5
Inventories disposed	(2.0)
Plant and machinery disposed	(0.5)
Finance lease adjustment	4.1
Transaction costs	(0.4)
Gain on disposal before tax	9.1
Tax on disposal	(1.6)
Gain on disposal after tax	7.5

The finance lease adjustment recognises the present value of the finance lease receipts over the sublease term. The right of use lease asset for the Lexington site was previously impaired to $nil in the 2021 financial period. Cash consideration was fully paid in the current period.

3.1 Intangible assets

	Goodwill $m	Acquired intangibles $m	Development expenditure $m	Computer software $m	Total $m
At 2 October 2021					
Cost	88.8	98.2	64.6	15.1	266.7
Accumulated amortisation and impairment	–	(39.3)	(41.4)	(5.0)	(85.7)
Net book amount	88.8	58.9	23.2	10.1	181.0
52 weeks ended 1 October 2022					
Opening net book amount	88.8	58.9	23.2	10.1	181.0
Exchange differences	(0.1)	–	(1.2)	-	(1.3)
Additions	–	–	5.8	0.2	6.0
Impairments	–	–	(2.0)	-	(2.0)
Amortisation	–	(6.8)	(4.7)	(1.2)	(12.7)
Closing net book amount	88.7	52.1	21.1	9.1	171.0
At 1 October 2022					
Cost	88.7	98.2	69.2	15.3	271.4
Accumulated amortisation and impairment	–	(46.1)	(48.1)	(6.2)	(100.4)
Net book amount	88.7	52.1	21.1	9.1	171.0
52 weeks ended 30 September 2023					
Opening net book amount	88.7	52.1	21.1	9.1	171.0
Exchange differences	0.1	–	0.3	–	0.4
Additions	–	–	3.1	0.5	3.6
Impairments	(23.4)	–	(0.2)	(0.6)	(24.2)
Amortisation	–	(6.3)	(4.1)	(1.2)	(11.6)
Closing net book amount	65.4	45.8	20.2	7.8	139.2
At 30 September 2023					
Cost	88.8	98.2	69.5	15.0	271.5
Accumulated amortisation and impairment	(23.4)	(52.4)	(49.3)	(7.2)	(132.3)
Net book amount	65.4	45.8	20.2	7.8	139.2

The remaining useful economic life of the development expenditure is up to ten years.

Computer software associated with Armour was impaired by $0.6 million in the period, following the closure of this business.

Impairment review of goodwill

Goodwill is tested for impairment annually and whenever there is an indication of impairment at the level of the cash-generating unit (CGU) to which it is allocated.

In line with the change in operating segments set out in note 2.1, goodwill has been allocated to Head Protection and Respiratory Protection CGUs. Head Protection includes goodwill from the Ceradyne and Team Wendy acquisitions, which are now part of a fully integrated business segment. Respiratory goodwill is related to three legacy acquisitions that completed in 2016 and earlier financial periods.

Goodwill has been allocated to CGUs on the basis of historic acquisitions, which provides a more accurate basis than allocating by relative value given each of the acquisitions related fully to Head Protection or Respiratory products individually.

2023 allocation of goodwill by CGU	Cost $m	Impairment $m	Net book amount $m
Respiratory Protection	2.5	–	2.5
Head Protection	86.3	(23.4)	62.9
Total goodwill	88.8	(23.4)	65.4

In the prior period goodwill was entirely allocated to the previous single operating segment and CGU, Respiratory and Head Protection.

The total carrying value of each CGU is tested for impairment against corresponding recoverable amounts. CGU carrying values include associated goodwill, other intangible assets and property, plant and equipment, and attributable working capital.

The recoverable amount of the CGUs has been determined based on value in use calculations, using discounted cash flow projections for a five-year period plus a terminal value based upon a long-term perpetuity growth rate of 1.5% (2022: 2.0%). The growth rate was selected as specifically appropriate for the Head Protection review considered further below. Any reasonable adjustment to the growth rate that could be made for the Respiratory protection review would still leave substantial headroom.

Value in use calculations are based on the Group's Board approved five-year plan which has been adjusted to exclude the impact of capital expenditure considered expansionary and certain linked earnings and cash flows. Excluded expansionary items relate to new helmet programmes which, although specifically identified and planned, have yet to incur significant capital expenditure. Central costs in the five-year plan are allocated to Respiratory Protection and Head Protection CGUs based on an average of relative net assets, payroll costs and revenues. Central costs include Board, Finance, IT, HR, Legal and Communications, where these are not directly attributable to an individual CGU.

It is considered appropriate to extrapolate cash flows into perpetuity as the fifth year represents a reasonable estimate of steady state business operations, excluding expansionary items. Long-term growth has been adjusted to a slightly lower level this year, accounting for the risk of slower incremental progress once the significant opportunities in the five-year plan have been delivered without further expansionary expenditure. The post-tax discount rates applied were 10.4% (Respiratory Protection) and 10.9% (Head Protection) (2022: 9.9%, sole Respiratory and Head Protection CGU). Equivalent pre-tax rates were 14.2% and 14.9% (2022: 14.3%). Post-tax discount rates were derived by external experts taking into consideration current market conditions.

The Group's Board-approved five-year plan includes management's estimate of revenue, gross margin and other financial assumptions that will be achieved under the new STAR strategy. These consolidate risk-adjusted granular forecasts for individual products or initiatives that consider market opportunities, execution risk, past experience and other relevant factors.

The Group has assessed the potential impact of climate change for the next five years to be low, and have therefore not included climate related impacts in the value in use calculation. Beyond 2028 although there are potential costs associated with climate change, these are balanced with significant opportunity for increased demand for protective products in a changing global security environment. Given this balanced view no climate related risk adjustments have been made to long-term projections beyond five years.

Head Protection CGU

The recoverable amount of the Head Protection CGU of $182.1 million, determined based on value in use calculations, is less than the carrying amount of the associated CGU net assets and has therefore resulted in an impairment to goodwill of $23.4 million.

An impairment has arisen due to a Head Protection level CGU test being performed for the first time which includes all goodwill associated with the 2020 Ceradyne acquisition of $28.0 million and 2021 Team Wendy acquisition of $58.3 million. In 2021, goodwill related to the Ceradyne acquisition was allocated in full to the sole Respiratory and Head protection operating segment, and as such was unaffected by the 2021 armour-related impairments. In 2022, the decision to present Armour as a separate operating segment was taken, with nil goodwill value allocated to the Armour segment. This was based on a relative value approach, which attributed no value to Armour given trading losses forecast to closure.

The exclusion of cash flows considered expansionary, which form a part of the Group's long-term forecasts, have also contributed to the impairment.

The calculation of the recoverable amount for the Head Protection CGU is highly sensitive to small changes in key assumptions, considered to be revenue growth, gross profit margins, the discount rate and the perpetuity growth rate. The Group has carried out sensitivity analysis on the Head Protection CGU impairment test, using reasonably plausible scenarios focused on changes to key assumptions applied in the value in use calculations. The table below provides the expected revenue and gross margin growth rates included in the calculation. Annual growth is expected to be higher in earlier years of the five-year plan.

Annual growth in revenue from 2024/25 to 2027/28	5 to 18%
Annual growth in gross margin from 2024/25 to 2027/28	8 to 31%

If the compound annual revenue growth rate over the first five years of the forecast was reduced by 1.0%, with the impact on the fifth year extrapolated in calculating terminal value, the impairment to Head Protection CGU goodwill would be increased by $22.0 million. There are many revenue assumptions which are included in the forecast, with the impact a 1.0% change in revenue growth rate disclosed. Small changes in other aspects of the revenue assumptions would have material impact on the value in use which we have not disclosed. A 1.0% change in the revenue growth rate demonstrates the significant impact on a wide range of these revenue assumptions.

Sensitivity to other key assumptions is as follows:

	Increase to Head CGU impairment $m
Gross margin for all products reduced by 1.0%	13.8
Post-tax discount rate increased by 0.5%	9.5
Perpetuity growth rate reduced by 0.5%	6.3

Respiratory Protection CGU

Value in use for the Respiratory Protection CGU is substantially greater than it's carrying amount. Sensitivity analysis has been performed which shows there are no reasonable changes in assumptions that would result in an impairment to goodwill and other net assets associated with the Respiratory Protection CGU.

Impairment review of development costs

Development assets are grouped into the smallest identifiable group of assets generating future cash flows largely independent from other assets, known as cash-generating units (CGU). Included in CGUs are development expenditure, tangible assets and inventory related to the product group. CGUs are tested for impairment annually and whenever there is an indication of impairment. The CGUs have been tested against their recoverable amount deemed to be their value in use. Cash flows were discounted using a post-tax rate of 10.9% (2022: 9.9%). Equivalent pre-tax rates were 14.9% (2022: 14.3%). Cash flows were adjusted to incorporate risks specific to each CGU. Sensitivity analysis demonstrated any reasonably possible change in discount rate to incorporate an uplift to the size premium for smaller CGUs would not result in any additional impairments.

As a result of the review the following impairment charges were identified. Following the impairment charges recognised, recoverable amounts were equal to carrying amounts.

Current period:

- Assets relating to one of the products in the Group's escape hood range fully exceptionally impaired by $0.5 million due to its discontinuation ($0.2 million development expenditure, $0.3 million plant and machinery).

Prior period:

- General Service Respirator (GSR) fully exceptionally impaired by $2.9 million due to a change made on costing assumptions and forecast cash flow periods, driven by changes in market factors ($0.7 million development expenditure, $2.2 million plant and machinery).
- Other respiratory asset development expenditure impaired by $1.1 million due to a change in expected forecast cash flows and market factors. $0.7 million of these impairments were considered exceptional.
- Armour-specific development expenditure impaired by $0.2 million for a small number of reclassified assets.

Development costs include $1.2 million relating to the boots and gloves product range, which was awarded an NSPA framework contract during the period. Given reliance on forecast future NSPA revenues and other upcoming commercial opportunities impairment sensitivity for the boots and gloves CGU has been disclosed. The carrying amount of the CGU includes attributable fixed assets and inventory. Given the need to secure profitable future orders the changes in revenue and gross margin to the breakeven position disclosed in the table below are considered reasonably possible. A further reduction of 50% in forecast revenues would lead to an impairment of $1.1m and a 1500bps reduction in gross margin would lead to an impairment of $0.7m.

			Individual assumptions required for the estimated recoverable amount to equal to the carrying amount		
	Carrying amount $m	Value in use $m	Post-tax discount rate	Forecast revenue reduction	Change in gross margin
Boots and gloves CGU	3.0	5.7	27.0%	(35.0%)	(1200bps)

At the period end $2.6 million of development costs relate to technology under development (2022: $12.2 million), including $2.6 million relating to ACH GEN II First Article Testing approval (2022: $1.5 million). Formal ACH GEN II First Article Testing approval was received post period end.

4.1 Cash flows from operations

	2023 $m	2022 (restated)[1] $m
Continuing operations		
(Loss)/profit for the period	(16.4)	5.7
Taxation	(3.8)	0.3
Depreciation	9.2	9.1
Amortisation of intangible assets	11.6	12.7
Loss on disposal (excluding Armour sale transaction)	0.3	–
Restructuring-related impairment of non-current assets	0.7	0.4
Impairment of other non-current assets (excluding restructuring-related impairments)	0.5	4.0
Impairment of goodwill	23.4	–
Defined benefit pension scheme cost	1.0	0.8
Net finance costs	7.6	5.0
Fair value of share-based payments	0.7	1.0
Transition costs expensed	1.5	–
Restructuring costs expensed	1.4	1.6
(Increase)/decrease in inventories	(6.8)	1.7
(Increase)/decrease in receivables	(26.2)	13.2
(Decrease)/increase in payables and provisions	(2.2)	3.2
Cash flows from continuing operations before restructuring and transition costs	2.5	58.7
Restructuring and transition costs paid	(2.3)	(1.0)
Cash flows from continuing operations	0.2	57.7
Discontinued operations		
Profit/(loss) for the period	2.0	(13.3)
Taxation	0.3	(3.8)
Impairments	0.6	0.2
Net finance costs	0.2	1.4
Change in contingent consideration	–	(3.9)
Gain on disposal before tax	(9.1)	–
Decrease/(increase) in inventories	16.7	(6.6)
Increase in receivables	(1.3)	(1.4)
(Decrease)/increase in payables and provisions	(6.2)	3.2
Cash flows from discontinued operations	3.2	(24.2)
Cash flows from operations	3.4	33.5

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business.

4.2 Borrowings

	2023 $m	2022 $m
Current		
Lease liabilities	4.3	4.1
Non-current		
Bank loans	77.7	53.7
Lease liabilities	16.6	19.7
	94.3	73.4
Total Group borrowings	98.6	77.5

Bank loans comprise drawings under the revolving credit facility.

The Group has the following undrawn committed facilities:

	2023 $m	2022 $m
Expiring beyond one year		
Total undrawn committed borrowing facilities	127.3	151.3
Bank loans and overdrafts utilised	77.7	53.7
Total Group facilities	205.0	205.0

The Group has a revolving credit facility (RCF) with a total commitment of $200 million across six lenders with an accordion option of an additional $50 million. $142 million of the facility matures on 8 September 2025. The remaining $58 million matures on 8 September 2024.

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

The RCF is drawn in short to medium-term tranches of debt which are repayable within 12 months of draw-down. These tranches of debt can be rolled over provided certain conditions are met, including covenant compliance. The Group considers that it is highly unlikely it would be unable to exercise its right to roll over the debt based on forecast covenant compliance. Even in a severe downside scenario there are mitigating actions (within the control of the Group) that could be taken to maintain compliance with these conditions, including future covenant requirements. The Directors therefore believe that the Group has the ability and the intent to roll over the drawn RCF amounts when due and consequently has presented the RCF as a non-current liability.

The RCF is floating rate priced on the Secured Overnight Financing Rate (SOFR) plus a margin of 1.45–2.35% depending on leverage. The Group has provided the lenders with a negative pledge in respect of certain shares in Group companies.

In addition to the RCF our U.S. operations have access to a $5.0 million overdraft facility, used to manage short-term liquidity requirements.

4.3 Net finance costs

	2023 $m	2022 (restated)[1] $m
Interest payable on bank loans and overdrafts	(6.3)	(2.5)
Interest payable in respect of leases	(0.7)	(0.7)
Amortisation of finance fees	(0.6)	(0.5)
Net interest cost: U.K. defined benefit pension scheme	(0.4)	(1.3)
Other finance income	0.4	–
Net finance costs	(7.6)	(5.0)

1 Comparatives for the 52 weeks ended 1 October 2022 have been restated to reflect the discontinuation of the Armour business.

Other finance income comprises $0.1 million finance lease interest and $0.3 million bank interest on cash balances.

4.4 Analysis of net cash/(debt)

	At 1 October 2022 $m	Cash flow $m	Non-cash movements $m	Exchange movements $m	At 30 September 2023 $m
Cash and cash equivalents	9.5	3.7	–	–	13.2
Bank loans	(53.7)	(24.0)	–	–	(77.7)
Net debt excluding lease liabilities	(44.2)	(20.3)	–	–	(64.5)
Lease liabilities	(23.8)	5.1	(1.5)	(0.7)	(20.9)
Net debt	(68.0)	(15.2)	(1.5)	(0.7)	(85.4)

	At 2 October 2021 $m	Cash flow $m	Non-cash movements $m	Exchange movements $m	At 1 October 2022 $m
Cash and cash equivalents	14.1	(4.2)	–	(0.4)	9.5
Bank loans	(40.9)	(12.8)	–	–	(53.7)
Net debt excluding lease liabilities	(26.8)	(17.0)	–	(0.4)	(44.2)
Lease liabilities	(29.1)	5.1	(1.4)	1.6	(23.8)
Net debt	(55.9)	(11.9)	(1.4)	1.2	(68.0)

Cash flows against lease liabilities were as follows:

	2023 $m	2022 $m
Repayment of lease liability – continuing operations	3.5	3.2
Finance costs paid in respect of leases – continuing operations	0.7	0.7
Lease cash flows related to discontinued operations	0.9	1.2
Total lease cash flows	5.1	5.1

4.5 Dividends

On 27 January 2023, the shareholders approved a final dividend of 30.6c per qualifying ordinary share in respect of the 52 weeks ended 1 October 2022. This was paid on 10 March 2023 utilising $9.1 million of shareholders' funds.

The Board of Directors declared an interim dividend of 14.3c (2022: 14.3c) per qualifying ordinary share in respect of the 52 weeks ended 30 September 2023. This was paid on 8 September 2023 utilising $4.3 million (2022: $4.3 million) of shareholders' funds.

The Board is recommending a final dividend of 15.3c per share (2022: 30.6c) which together with the 14.3c interim dividend gives a total dividend of 29.6c (2022: 44.9c). The final dividend will be paid on 8 March 2024 to shareholders on the register at 9 February 2024 with an ex-dividend date of 8 February 2024.

5.1 Restatements

Prior period comparatives have been restated to present the Armour business as a discontinued operation, and to reclassify certain expenses in the Consolidated Statement of Comprehensive Income.

Expense reclassifications include disclosure of research and development costs as a separate line item below gross profit, and recategorisation of selling and distribution costs. The change in accounting policy provides visibility of research and development costs on the face of the Consolidated Statement of Comprehensive Income when it was previously only reported in the Financial Review. Selling and distribution costs have been disaggregated into sales and marketing expenses, presented in a separate line below gross profit, and freight and distribution costs which have been reclassified into cost of sales.

This presentation reflects the way the business performance will be monitored in future, with separate disclosure of research and development appropriate as an integral part of operations. It is also consistent and comparable with common market practice and therefore provides reliable and more relevant information to the reader. Overall operating loss figures for the previous period remain unchanged as this is only a presentational restatement. A reconciliation of reported prior period to restated figures is presented below. Equivalent reconciliations for restatement of adjusted performance metrics are provided in APMs note 13.

Consolidated Statement of Comprehensive Income for the 52 weeks ended 1 October 2022

	Statutory total				
Continuing operations	**Previously reported $m**	**Remove Armour $m**	**Research and development $m**	**Selling and distribution $m**	**Restated $m**
Revenue	271.9	(8.4)	–	–	263.5
Cost of sales	(193.7)	20.1	8.8	(9.8)	(174.6)
Gross profit	78.2	11.7	8.8	(9.8)	88.9
Selling and distribution costs / Sales and marketing expenses	(26.0)	1.2	–	9.8	(15.0)
Research and development costs	–	–	(10.2)	–	(10.2)
General and administrative expenses	(54.3)	0.2	1.4	–	(52.7)
Operating profit	(2.1)	13.1	–	–	11.0
Net finance costs	(6.4)	1.4	–	–	(5.0)
Profit before tax	(8.5)	14.5	–	–	6.0

Armour discontinued operations (note 2.2)

	Armour			
	Previously reported $m	**Research and development $m**	**Selling and distribution $m**	**Restated $m**
Revenue	8.4	–	–	8.4
Cost of sales	(20.1)	–	(1.2)	(21.3)
Gross profit	(11.7)	–	(1.2)	(12.9)
Selling and distribution costs / Sales and marketing expenses	(1.2)	–	1.2	–
Research and development costs	–	(0.2)	–	(0.2)
General and administrative expenses (including release of contingent consideration)	(0.2)	0.2	–	–
Operating profit/(loss)	(13.1)	–	–	(13.1)
Net finance costs	(1.4)	–	–	(1.4)
Profit before tax	(14.5)	–	–	(14.5)