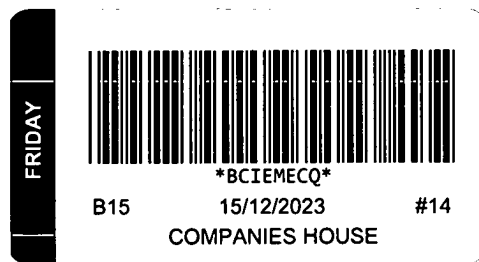


Registered number: 06707516

**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**



**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

**COMPANY INFORMATION**

<b>Directors</b>	Gareth Hall Matthew Pritchard Gareth Blackbird Toby Woolrych
<b>Registered number</b>	06707516
<b>Registered office</b>	Cleeve Business Park Bishops Cleeve Cheltenham Gloucestershire GL52 8TW
<b>Independent auditor</b>	Deloitte LLP Statutory Auditor Four Brindleyplace Birmingham B1 2HZ United Kingdom

# ONTIC ENGINEERING & MANUFACTURING UK LIMITED

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# ONTIC ENGINEERING & MANUFACTURING UK LIMITED

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their Strategic Report for the year ended 31 December 2022.

### Introduction

The principal activities of Ontic Engineering & Manufacturing UK Limited ("the Company") comprise of the manufacture of legacy parts and the provision of repair services for the aviation industry worldwide.

Ontic Engineering & Manufacturing UK Limited owns the intellectual property ("IP") to produce a portfolio of fuel gauging systems and legacy aviation products (acquired from GE Aviation Systems), and a portfolio of aerospace actuation systems (acquired from Triumph Group). It also manufactures under licence the following product groups: gas turbine units under a licence from Safran, actuators, rail and oxygen products under licences from UTC, various military cockpit controls, switches and indicators from Ultra Electronics Limited, military and civil avionics products (including cockpit communication control systems) from Racal Acoustics Limited, a velocity radar system from Thales UK Limited, and a suite of military avionics products from Meggitt (UK) Limited.

The Company is a member of the Ontic Group which is headed by Bleriot Finco Holdings Limited which is the largest (and smallest) group in which the results of the Company are consolidated. Bleriot Bidco Limited, a subsidiary of Bleriot Finco Holdings Limited, has held ownership of the Company since 31 October 2019, prior to which the Company was owned by BBA Aviation Plc.

### Business review

The Directors consider the results of the business to be in line with expectations.

During the year ended 31 December 2022 the Company has generated \$123,419,000 turnover (2021 - \$107,896,000). The Company generated operating profit of \$12,005,000 (2021 - \$12,205,000). After tax the Company delivered a loss of \$33,696,000 (2021 - profit of \$1,535,000). This included one-off costs of \$42,932,000 to extinguish certain foreign exchange positions (see Note 10).

As at 31 December 2022 the Company held net assets of \$34,899,000 (2021 - \$68,595,000), including cash balances of \$23,423,000 (2021 - \$12,237,000).

There have not been any significant changes in the principal activities in the year under review.

The acquisition of the former Triumph Group site at Staverton, a business combination in October 2021, has been integrated effectively into the Company and the full year impact of this investment has benefited the Company's performance in 2022.

During the year the Company signed new licence investments in order to strengthen the Company's core product portfolio. The investments included intellectual property relating to landing gear harnesses, lighting products, electronic control products and fuel override systems. These investments have synergies to existing product-lines within the Company and support the Company's strategy to deliver continued profitable growth in mature avionics and electronics products with high intellectual property content.

### Outlook

The Company expects to continue to deliver growth during 2023 both from its existing portfolio and from new licence and business investment. The near-term outlook is underpinned by a strong orderbook in both military and civil markets.

The business continues to have positive discussions with new and existing OEM business partners in relation to new licence opportunities, the pipeline for new opportunities remains buoyant and represents an opportunity for strong growth in 2023 and beyond.

The business model converts readily into positive operating cashflow and we expect this to continue, supported by our ongoing focus on improved working capital management.






## ONTIC ENGINEERING & MANUFACTURING UK LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

#### Principal risks and uncertainties

The Directors regularly review principal risks and uncertainties that affect directly or indirectly affect the Company. Those risks which are considered by the Directors to be most significant to the performance, position and future prospects of the business are outlined below. These risks are presented in no particular order of priority.







#### Strategic & operational risks

Risk	Description	Mitigation action/control	Change over prior year
<b>Cyber security</b>	Risk and impact of a cyber-attack.	<ul style="list-style-type: none"> <li>• Cyber security specialists operate within the IT team.</li> <li>• Awarded ISO27001 standard for data protection and security</li> <li>• Work accounts and laptops are encrypted with password protection in place and continual software updates are implemented.</li> </ul>	 Team and system strengthened
<b>Product</b>	Risk of a significant product failure and the potential for liabilities and reputational damage.	<ul style="list-style-type: none"> <li>• Production and supplier quality audits are undertaken to regularly monitor standards.</li> <li>• Operations are in accordance with the Ontic Quality Management System and applicable industry certifications.</li> </ul>	 Consistent
<b>People</b>	Potential failure to retain key employees or attract capable people which could lead to a lack of necessary expertise and continuity.	<ul style="list-style-type: none"> <li>• Focus on culture and making Ontic a good place to work.</li> <li>• Regular reviews of the Ontic remuneration structure to ensure business remains more competitive in the market, in addition to providing ongoing learning and development opportunities.</li> <li>• Robust succession planning process in place at a senior leadership level.</li> </ul>	 More competitive labour market
<b>Industry changes</b>	Decline in the aviation industry in which Ontic operates, including the aftereffects of the Covid-19 pandemic on civil aviation, environmental issues or geopolitical issues can limit the growth of the business and create volatility in profit.	<ul style="list-style-type: none"> <li>• Economic conditions are continually monitored by the senior leadership team in order to manage the product portfolio and demand.</li> <li>• Revenue is derived from a well-diversified customer portfolio.</li> <li>• Flexibility in the business allows for re-allocation of resources and focus towards value streams with superior outlook.</li> </ul>	 Consistent
<b>Supply chain</b>	Supply chain delays, material shortages or supplier insolvency may impact Ontic's ability to meet its customer obligations.	<ul style="list-style-type: none"> <li>• Ontic's supply chain function actively monitors supplier arrangements, aiming to manage supplier lead times against demand requirements.</li> <li>• Continued investment in procurement technology to improve forward visibility, track suppliers and highlight any shortfalls.</li> </ul>	 Dynamic global supply chain environment

**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**




**Principal risks and uncertainties (continued)**

<b>Risk</b>	<b>Description</b>	<b>Mitigation action/control</b>	<b>Change over prior year</b>
<b>Acquisition performance</b>	Potential failure to license or acquire new product from original equipment manufacturers in order to grow product pipeline, and risk of not realising financial return on completed investments.	<ul style="list-style-type: none"> <li>• Strong business development department with a good pipeline of prospects, a successful historic record and a clear strategic plan in place.</li> <li>• Due diligence procedures are carried out internally pre-acquisition and complemented by external experts where appropriate.</li> <li>• Investment performance is actively monitored by management with transition plans used to record progress.</li> </ul>	 Strong pipeline of products
<b>Competitive environment</b>	Ontic must remain competitive in the market, including its pricing, purchasing and maintenance of strong relationships, in order to secure future sales and profitability.	<ul style="list-style-type: none"> <li>• External market and platform awareness is actively monitored alongside competitor activity.</li> <li>• Creation of a customer-focused operational structure.</li> <li>• Continuous monitoring of financial performance and profitability by management.</li> </ul>	 Remains competitive in the market
<b>Climate change</b>	Potential impact of climate change on the business or climate related changes on the industry.	<ul style="list-style-type: none"> <li>• Reduction in Group carbon footprint through recycling and investment in technology.</li> <li>• Continued dialogue and awareness around aviation sector requirements and trends.</li> <li>• Ongoing assessment of the impact of climate change on the business is in progress.</li> </ul>	 Consistent
<b>Financial &amp; corporate risks</b>			
<b>Risk</b>	<b>Description</b>	<b>Mitigation action/control</b>	<b>Change over prior year</b>
<b>Banking covenants</b>	Non-compliance with banking covenants may lead to penalties or sanction from lenders.	<ul style="list-style-type: none"> <li>• Group Treasury Function and Treasury Committee are in place which actively monitors covenant compliance and manages liquidity in the business.</li> </ul>	 Consistent
<b>Internal control environment</b>	Deficiencies in internal controls may negatively impact the business, including business disruption, financial losses or incorrect data.	<ul style="list-style-type: none"> <li>• Active monitoring of the Group's control environment by the Audit Committee.</li> <li>• Utilisation of external advisors to consult on key control areas of the business e.g. Treasury.</li> <li>• Internal Audit &amp; Controls Manager operates within the finance team.</li> </ul>	 Additional control initiatives implemented
<b>Cashflow and liquidity</b>	Failure to be able to finance the cashflow requirements of the group.	<ul style="list-style-type: none"> <li>• Weekly cashflow forecasts are performed and reviewed by the Group Treasury Function.</li> <li>• Maintain sufficient headroom in committed credit facilities and against covenants in those facilities.</li> </ul>	 Consistent

**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**Principal risks and uncertainties (continued)**

<b>Risk</b>	<b>Description</b>	<b>Mitigation action/control</b>	<b>Change over prior year</b>
<b>Foreign exchange risk</b>	Exposure to transactional and translational foreign currency risk, most significantly on GBP balances within the UK business.	<ul style="list-style-type: none"> <li>• Foreign exchange strategy is in place by the Treasury Committee to monitor and hedge foreign exchange exposure.</li> <li>• Strengthened controls implemented around foreign exchange transactions.</li> </ul>	 Consistent
<b>Legal and compliance</b>	Risk of a significant compliance breach in Ontic's complex regulatory environment, including export regulations, intellectual property, bribery and corruption, aviation authority regulatory approval and data protection.	<ul style="list-style-type: none"> <li>• Dedicated compliance team which monitors regulatory compliance on an ongoing basis.</li> <li>• Processes and procedures embedded in each facility to ensure all relevant regulatory requirements are met.</li> </ul>	 Consistent
<b>Taxation</b>	Tax legislative changes and complexity may reduce the tax effectiveness of the Group.	<ul style="list-style-type: none"> <li>• Continuous monitoring of tax legislation and usage of third-party tax advisors where necessary.</li> <li>• Timely submission of all returns and satisfaction of all legislative tax requirements.</li> </ul>	 Consistent

**Credit risk**

The Company has credit risk, which is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

**Currency risk**

The Company is exposed to transactional and translation foreign currency risks. Through its trading activity, the company transacts in USD, EUR and GBP. The majority of the company's customers are invoiced in USD therefore cashflows and profits are generated primarily in USD. Supplier transactions tend to transact in GBP and there are also a small proportion of cashflows generated in EUR. As the Company has USD functional currency, its foreign exchange risk lies primarily with its GBP exposure as at December 2022. The Company manages its transactional foreign currency risk by hedging GBP exposure in accordance with its foreign exchange treasury policy with the intention to reduce exposure to currency rate movements. The derivatives held as at 31 December 2022 are all GBP contracts and are measured at fair value through profit or loss in the financial statements.

## ONTIC ENGINEERING & MANUFACTURING UK LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

#### The Board's Statement on Section 172 (1)

The Board of Directors, in line with their duties under s172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors.

#### a. The likely consequences of any decision in the long term

The members of the Board have a long-term mindset and performed a comprehensive review of our strategic priorities and risks to our business in preparing the forthcoming year's budget. We considered the business environment and expected trends, the capital expenditures required and the impact on employment. We gained input from our customers and employees, as well as our own suppliers to ensure that the demands of our customers were reflected in our engagement and contracts with our own supplier base.

Our customers expect us to deliver products of the highest quality and to consistently meet the commitments we make. Our longer-term plans include a number of innovations and enhanced ways of working which will involve considerable change within our organisation. This will provide colleagues with opportunities as well as transformation challenges. Our plans are demanding but will position the Company well against our longer-term value creation vision, whilst honouring our commitments to our stakeholders.

Our workforce is key to our success as a business, and we have committed to maintain and enhance our focus on safety and wellbeing, and to continuing to invest in training and skills development to support our change programme. We recognise the value of diversity and inclusion in how we operate, and seek to provide interdepartmental and overseas transfer and secondment opportunities to increase the breadth of employee experience and retain talent within the business.

The Company continues to assess a strong pipeline of opportunities in relation to new products and licence adoptions. During the reporting period, the Company made several licence and business investments to expand its core portfolio. These investments support the Company's strategy to deliver continued profitable growth.

Investment decisions are taken with due care, considering the growth opportunities, the associated risk and the environmental impact.

#### b. The interests of the Company's employees

The Company is committed to being an inclusive place to work, where employees have the opportunity and company support to reach their potential. We are committed to developing our global talent and high performers to enable them to reach senior leadership roles in the Company; this includes providing them with tools, guidance and access to coaching support for their personal development. We are also focused on continuing to 'grow our own.' We do so through our expanding number of apprenticeship, intern and graduate positions, working with local schools and colleges to encourage emerging talent into STEM careers. In addition, we seek to resource existing internal talent into opportunities across our locations including short to mid-term expatriate secondments.

Our people are our greatest asset, and it is our priority to maintain and enhance our focus on safety and wellbeing and to be recognised by our employees as a 'great place to work'. One way we listen to our employees and measure success is implementation of the employee engagement survey run by the *Best Companies* index. We have achieved a ranking of #10 *Best UK Manufacturing Companies* to work for in the *Best Companies* index and have also ranked highly in the *Best Large Companies* category. There are many ways that we engage with our employees; we hold monthly All Hands briefings, face to face briefings, internal email communications and we seek their feedback through employee surveys and regular Q&A sessions. Our global intranet details news, events and important information across all our locations, and we have a number of forums for employee collaboration, including an 'Innovation' forum and a 'Green Room' focusing on general innovation and environmental suggestions respectively; we have made terminals available in breakout areas to ensure all staff have intranet access.

## ONTIC ENGINEERING & MANUFACTURING UK LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

We recognise the importance of inclusion and diversity throughout our employee population and our intent is to be representative of the community to which we belong. Recruitment and reward principles are reflective of this position whereby roles are assessed equitably with remuneration packages developed against internal and external benchmark data sets. Equipping and empowering our leaders is a key success factor in achieving this with specific programmes developed to support managers to embed these behaviours into our culture, where individuals can thrive and contribute, as well as being rewarded for their performance.

#### **c. The need to foster the Company's business relationships with customers, suppliers and others**

The business relationships with customers and suppliers are paramount to the Company's performance. The Company has longstanding relationships with its established customers and suppliers. The Company also works hard to build working relationships with novated customers and suppliers in order to de-risk the adoption process.

Our Company comprises a number of business units, all of which have extensive engagement with their own unique stakeholders. The Company uses an 'authority matrix' to delegate authority to various different levels within the organisation based on the cost and impact, empowering the business units to take account of the needs of their own stakeholders in their decision-making. These business units report regularly to the Senior Leadership Team about the strategy, performance and key decisions taken, which provides leadership with the assurance that proper consideration is given to stakeholder interests in decision making.

The Company's ongoing success is dependent upon conducting our business with the highest ethical standards and in compliance with all relevant laws and our corporate policies and procedures. Ethical and compliant behaviour protects our employees, our customers, our suppliers and our business from financial and legal harm as such we expect our employees, officers and Directors to conduct themselves in accordance with our Code of Business Ethics and seek to avoid improper behaviour and the appearance of improper behaviour. Employees are encouraged to speak confidently about concerns regarding potentially unethical conduct or illegal activity by reporting it directly, or if they prefer, through our confidential ethics hotline.

#### **Customers**

The Company recognises the value in developing longstanding customer relationships and strives to offer effective solutions to OEMs, do what we say we will consistently, deliver products to our customers more quickly and regularly seek customer feedback to assess our own performance. The Company aims to deliver excellent customer service and supports its customers by using industry recognised standards such as AS9100 and appropriate regulatory authority approvals.

The Company has identified customer engagement as a key area of focus over the medium-term and the Director of Customer Engagement is a key role that sits on the Senior Leadership Team and reports to the CEO. A customer engagement campaign regularly assesses the Group's performance from the perspective of our customers and identify specific themes on which to focus.

#### **Suppliers**

We expect each of our suppliers, contractors and consultants (collectively, "Suppliers") to conduct business fairly, impartially and in an ethical and proper manner. In addition, we expect each of our Suppliers to adhere to the principles of our Ethical Conduct Policies concerning compliance with all applicable laws, conducting business fairly and ethically, respecting human rights, conserving the environment, and providing high quality, safe products and services. Suppliers are expected to cascade these principles to their own suppliers. This may involve the establishment of supply chain management processes that integrate the requirements of this Code of Ethical Conduct.

#### **d. The impact of the Company's operations on the community and the environment**

The Company acknowledges the increased urgency around Climate Change and the potential future impact. In 2023 the Company is in the process of implementing a carbon accounting platform and introducing reporting against KPIs for emissions, water-use and waste as part of an increased focus around Climate Change and the need for greater monitoring and accountability.

## ONTIC ENGINEERING & MANUFACTURING UK LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

The Company also considers its long-term impact on the environment and the communities in which it operates. Our facilities are designed to be energy efficient and incorporate insulation to the highest standards, PIR sensors and energy efficient LED lighting. We are a zero waste to landfill site in the UK (with the exception of non-recyclable office waste) and encourage employees to use sustainable transport by providing cycle to work schemes, bicycle sheds and electric car charging points.

The Company has worked across all sites to support and sponsor local schools, sports teams, charities and events in 2022. Ontic had a commitment to continuously support Cheltenham Open Door (to support the local community), Fly2Help (to support an aviation charity), and St John's Ambulance (to support a health charity). Ontic also continued to contribute to foodbank collections for the North Cotswolds Foodbank with weekly drives and during Christmas extra donations were also collected at Ontic and taken to the foodbank. Ontic hosted several fundraising initiatives to support many other non-profit charities, through bake sales, sports challenges such as races and long-distance walks, a coast-to-coast cycle challenge, a world-cup themed competition, and even a sponsored head-shave in support of The Little Princess Trust.

#### **e. The desirability of the Company maintaining a reputation for high standards of business conduct**

Whilst the Group is not required to adopt the UK Corporate Governance Code, it aims to apply best practices as described in the separate disclosures below: Board of Directors, Audit Committee and Nomination & Remuneration Committee. The Group follows a range of policies in place to protect employees and provide a safe working environment, to ensure compliance with all regulatory requirements and adherence to the highest professional and ethical standards in dealing with customers, suppliers and colleagues, and to ensure that it continues to operate in a socially responsible and compliant manner. In doing so, and by balancing the interests of the Group's stakeholders when making decisions, the Board seeks to maintain a reputation for high standards of business conduct.

#### **f. The need to act fairly between the shareholders of the Company**

The Group has entered into a value creation plan, called our More Than Plan, which aims to enhance value for its shareholders. The value creation plan consists of four pillars for operational success: the Customer pillar looks at improving customer experience and driving for best-in-class customer service; the Employee pillar is to make the Group one of the best in which to work; the Strengthen pillar is focused on investing in business systems to drive improvement and be the foundation for operational success; and the Growth pillar is focused on delivering increased market share through organic and new licence growth.

The Group ensures that the shareholders of the Group are fully informed of all key matters in terms of business strategy, policy decisions and financial results.

#### **Board of Directors**

The Board of Directors at a Group level, which includes this Company as part of its remit, is composed of seven members: the Chairman, three representatives of CVC Capital Partners, the CEO, the CCO and the CFO. All board members have a proven track record in managing business of this size and are deemed to be capable to assume this responsibility. The members of the Board are in frequent contact with local management and local employees to obtain first-hand information.

The Board of Directors met throughout the period, with members of the Senior Leadership Team from each site interacting directly during board meetings to present and discuss the status of a variety of matters and initiatives.

## ONTIC ENGINEERING & MANUFACTURING UK LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Key items (such as those noted below) require Board consideration and approval:

- Financial performance of Ontic UK;
- Budget;
- Capex projects;
- Financing contracts;
- Approval of compliance related policies;
- Audit committee reports;
- Approval of the financial statements
- Business reviews & market updates;
- Approval of acquisition projects;
- Environment, Health and Safety (EHS) review; and
- Environmental, Social & Governance (ESG) review.

The Board of Directors has delegated responsibilities to the Audit Committee and the Nomination & Remuneration Committee as discussed below.

#### **Audit Committee**

The Audit Committee is composed of non-executive directors including a representative of CVC Capital Partners and the Chairman, both also members of the Board of Directors. In addition, other members of the Board, including the CEO, CFO and CCO attend the Audit Committee meetings by invitation. All members and other attendees have extensive experience in accounting and audit matters.

The Audit Committee meets three times per year and discusses matters related to external audit, risk management, internal controls and non-audit services provided by the Group's statutory auditor.

#### **Nomination & Remuneration Committee**

The Nomination & Remuneration Committee exists at Bleriot Topco Limited level (of which the Company is a subsidiary), composed of a representative of CVC Capital Partners, the CEO and the Chairman. This committee meets regularly and discusses the remuneration policy and practice for the Group's Senior Leadership Team. The CEO does not participate in decision making on his remuneration. Approval for the remuneration of other Group employees is determined by the Group's delegated authority matrix.

This concludes the Board's Statement on Section 172 (1).

#### **Financial key performance indicators**

Financial key performance indicators (KPIs) are used by the Company on an ongoing basis to assess its performance in relation to a variety of financial measures. These are:-

##### **Turnover**

2022: \$123,419,000

2021: \$107,896,000

The primary driver behind the increase in sales in the year compared to the prior year is continued organic sales growth from legacy avionics products acquired in previous years in addition to new IP investments made over the year.

##### **Operating profit**

2022: \$12,005,000 (9.7%)

2021: \$12,205,000 (11.3%)

Operating profit has remained flat in comparison to 2021 as the benefits from new licence investments have been offset by non-recurring expenses as a result of integration of new business into the Company and business transformation projects on behalf of the Group.

**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

This report was approved by the board on 17 November 2023 and signed on its behalf by,

Handwritten signature of Toby Woolrych, consisting of a stylized 'T' followed by a wavy line.

**Toby Woolrych**  
Director

## ONTIC ENGINEERING & MANUFACTURING UK LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their report and the financial statements for the year ended 31 December 2022.

#### Results and dividends

The loss for the year, after taxation, amounted to \$33,696,000 (2021 – profit of \$1,535,000).

No dividends were proposed or paid during the current or prior year and no dividends have been proposed subsequent to year end.

#### Directors

The Directors who served during the year, and up to the date of signing the Annual Report and financial statements were:

Gareth Hall  
Matthew Pritchard  
Gareth Blackbird  
Toby Woolrych (appointed 30 May 2022)

#### Directors' third-party indemnities provisions

The Company has made qualifying third-party indemnity provisions in favour of its Directors under which the Company agrees to indemnify each Director against liabilities incurred by that Director in respect of acts or omissions arising in the course of their office or otherwise by virtue of their office. Indemnity provisions of this nature have been in place during the reporting period and remain in force. The Company also maintains Directors' and officers' liability insurance for its Directors and officers.

#### Financial risk management objectives and policies

The Company is exposed to transactional and translation foreign currency risk, as well as credit risk. Please refer to the Principal Risks and Uncertainties section of the Strategic Report for more information.

#### Going concern

The Company has net assets and is expected to continue to generate positive cash flows on its own account for the foreseeable future. It has a strong portfolio of geographically diverse customers and expects to grow rapidly in the coming years with future investment. The Company participates in the Group's centralised treasury arrangements and so may access the banking arrangements of its parent and fellow subsidiaries should further liquidity become necessary to finance its on-going operations and future development. After receiving intercompany funding from the Group to fund new licence investments the Company is in a net current liability position in 2022, however there is no expectation this funding will require repayment within 12 months from the date of the issue. A letter of guarantee has been provided between Bleriot Finco Holdings Limited and the Company. Bleriot Finco Holdings Limited has committed to provide support to the Company and has guaranteed that any subsidiary companies of Bleriot Finco Holdings Limited will not demand repayment of loans made or funds advanced to the Company until such a time the Company is able to repay the funds.

The Company was buoyed by its strong military markets throughout the Covid-19 period, and Ontic's civil markets demonstrated a strong recovery, with Civil market revenues exceeding pre-pandemic levels.

The Directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements.

The Company has considerable financial resources and strong relationships with key licensor partners, customers and suppliers. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

Building upon year-to-date performance, the Company has forecast through 12 months from the date of issue of the financial statements. The Company is forecast to be profitable and generate positive operating cashflow. On the basis of their assessment of the Company's financial position, the Company's Directors have a reasonable expectation that the Company has adequate resources to continue in existence undertaking the principal business activity outlined above for the foreseeable future.

## ONTIC ENGINEERING & MANUFACTURING UK LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

#### Going concern (continued)

In satisfying themselves that the going concern basis is appropriate, the Directors have considered three sensitivities:

- A scenario based on the Directors' realistic expectations of the Company's performance based on the 2023 budget and long-term business plan;
- A scenario of a downside sensitised fall in revenues of 5% resulting from a decrease in sales which is in excess of the Directors' realistic expectations; and
- Reduction of revenue by 10% with additional reduction of margins by 2%.

In addition, although not a factor which underpins the going concern conclusion, were it to be needed the Company could request the support of the Group (as headed by Bleriot Finco Holdings Limited). The Group has access to a revolving facility of \$85m, of which \$22m is undrawn as of the date of signing. Access to a revolving facility will not change in the above mentioned periods, the facility expires on 31 July 2028. The Group has no near-term covenants; only a springing revolving credit facility (RCF) covenant triggered when the RCF is drawn down by 40% or more at a quarter-end. The Group's financial metrics under all scenarios modelled demonstrates significant headroom to this minimum.

As a result, the Company continues to adopt the going concern basis of accounting for the preparation of the annual financial statements.

#### Political contributions

No political contributions were made during the year or during prior year.

#### Employee involvement

We encourage all employees to have their say in both formal and informal ways and run specific engagement programmes across the Company to bring our teams closer together and ensure they feel part of the whole business. Regular meetings are held in which employees are updated on business initiatives, performance and community activities. The Company also carries out formal employee engagement surveys on an annual basis, weekly pulse surveys and monthly meetings with employee champions (composed of a cross section of employees from across various departments) who participate in decision making and feed back to all employees.

Employees participate directly in the success of the business through the Company's goal share scheme where they are rewarded for their contribution to the performance of the Company.

#### Statement of engagement with customers, suppliers and others in a business relationship with the company

Business relationships with suppliers, customers and others are considered paramount to the Company's performance and disclosure of how the Company has fostered its business relationships has been made in the Section 172(1) statement in the Strategic Report.

#### Disabled employees

The Company is an equal opportunity employer and is committed to developing and maintaining a culture of equality and diversity in which employees are treated equally, whether or not they have a disability.

The Company takes all reasonable steps to employ, train and promote employees on the basis of abilities, qualifications and experience irrespective of any disability. The Company has a duty to make reasonable adjustments to its premises and working practices in order to accommodate disabled employees, including those who become disabled whilst in the Company's employment.

The Company will not condone any discrimination or harassment on the grounds of disability, either from employees or any outside third parties who carry out business with the Company.

## ONTIC ENGINEERING & MANUFACTURING UK LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

#### Climate change

The Directors are aware of their responsibilities to consider the potential effect of the Company's operations on climate change, and are assessing this impact. Disclosure of the Company's emissions as required by Streamlined Energy and Carbon Reporting ("SECR") requirements have been presented within the consolidated financial statements of its Group parent, Bleriot Finco Holdings Limited.

#### Future developments

Please refer to the Strategic Report.

#### Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.



#### Post balance sheet events

In August 2023 the Company paid consideration of \$65m in relation to a licence agreement to acquire the rights to a thrust reverser actuation system product line with one of its key existing OEM partners.

#### Auditor

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 17 November 2023 and signed on its behalf by,



**Toby Woolrych**  
Director

## **ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## ONTIC ENGINEERING & MANUFACTURING UK LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ONTIC ENGINEERING & MANUFACTURING UK LIMITED

#### Report on the audit of the financial statements

##### Opinion

In our opinion the financial statements of Ontic Engineering & Manufacturing UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

##### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## ONTIC ENGINEERING & MANUFACTURING UK LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ONTIC ENGINEERING & MANUFACTURING UK LIMITED

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, tax legislation, employment law, Bribery Act 2010; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating licence, UK Civil Aviation Authority and US Federal Aviation Administration regulations, Health and Safety Legislation, Environmental Regulations (including SECR), Data Protection Act and International Trade Compliance.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

## ONTIC ENGINEERING & MANUFACTURING UK LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ONTIC ENGINEERING & MANUFACTURING UK LIMITED

As a result of performing the above, we identified the greatest potential for fraud in relation to the valuation of the excess and obsolete inventory provision. Given the nature of the company's operations, inventory can be held for long periods prior to use. The company holds licenses for equipment with lengthy lifecycles, and individual parts can have large time gaps between orders. This means management may deem a part to be active regardless of a history of slow use. Consequently, determining an appropriate inventory provisioning methodology is a key management estimate and is subject to significant judgement in relation to the future demand and use of the stock. In order to assess the provision at the year end, we performed the following procedures:

- obtained an understanding of the relevant controls over the company's assessment of the excess and obsolete inventory provision;
- assessed the overall appropriateness of the refined inventory provision policy and applicability to the business;
- assessed whether the redefined policy is a change in accounting estimate rather than accounting policy in line with FRS 102 section 10;
- assessed compliance of management's approach for the calculation of the excess and obsolete provision with the group's refined policy;
- evaluated the mathematical accuracy of the provision calculation and reconciling totals to inventory balances and the financial statements;
- assessed management classification of demand cycles for different categories of inventory;
- reviewed a sample of inventory items for consistency with the calculation of the provision, including obtaining support for the forecast demand and historical usage;
- performed a retrospective review of a sample of the highest valued provision items in FY22 by comparing to the similar highest valued provision items in FY21 and assessed the consistency of the historical usage and forecast usage included in the FY22 provision calculation, understanding the reason for any variances;
- tested any significant outliers from the policy;
- challenged management by corroborating information and obtaining supporting evidence for all items where inconsistencies were identified between expected and actual demand or changes in historical usage noted including specific adjustments to the provision, for last-time buy (LTB) items; and
- assessed the appropriateness of the disclosures in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

#### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ONTIC ENGINEERING &  
MANUFACTURING UK LIMITED**

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

**Use of our report**

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



**Andrew Halls, FCA (Senior Statutory Auditor)**

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham

United Kingdom

17 November 2023

**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 \$000	<i>Restated<sup>1</sup></i> 2021 \$000
Turnover	4	123,419	107,896
Cost of sales		<u>(55,746)</u>	<u>(46,781)</u>
<b>Gross profit</b>		<b>67,673</b>	<b>61,115</b>
Administrative expenses		<u>(55,668)</u>	<u>(48,910)</u>
<b>Operating profit</b>	5	<b>12,005</b>	<b>12,205</b>
Interest receivable and similar income	9	575	-
Interest payable and similar expenses	10	<u>(55,704)</u>	<u>(10,577)</u>
<b>(Loss)/profit before taxation</b>		<b>(43,124)</b>	<b>1,628</b>
Tax on (loss)/profit	11	<u>9,428</u>	<u>(93)</u>
<b>(Loss)/profit for the financial year</b>		<b><u>(33,696)</u></b>	<b><u>1,535</u></b>

There were no recognised gains and losses for 2022 or 2021 other than those included in the statement of comprehensive income.

All results derive from continuing operations.

The accompanying notes are an integral part of this Statement of Comprehensive Income.

<sup>1</sup>See Note 26 for details regarding the restatement of the tax treatment of certain historical intangible assets.

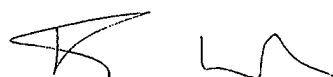
**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**  
**REGISTERED NUMBER: 06707516**

**BALANCE SHEET**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 \$000	<i>Restated<sup>1</sup></i> 2021 \$000
<b>Fixed assets</b>			
Intangible assets	12	183,712	137,823
Tangible assets	13	18,281	17,182
Investments in subsidiaries	14	3,054	3,054
		<u>205,047</u>	<u>158,059</u>
<b>Current assets</b>			
Stocks	15	60,007	44,943
Debtors	16	50,029	43,149
Cash at bank and in hand	17	23,423	12,237
		<u>133,459</u>	<u>100,329</u>
Creditors: amounts falling due within one year	18	(178,108)	(70,741)
Deferred and contingent consideration	20	(823)	(2,914)
Provisions for liabilities	21	(5,304)	(6,714)
		<u>(50,776)</u>	<u>19,960</u>
<b>Net current (liabilities)/assets</b>			
		<u>(50,776)</u>	<u>19,960</u>
<b>Total assets less current liabilities</b>		<u>154,271</u>	<u>178,019</u>
Creditors: amounts falling due after more than one year	19	(92,873)	(91,542)
Deferred and contingent consideration	20	(5,848)	(5,291)
Provisions for liabilities	21	(19,257)	(10,610)
Deferred tax	23	(1,394)	(1,981)
		<u>(119,372)</u>	<u>(109,424)</u>
<b>Net assets</b>		<u>34,899</u>	<u>68,595</u>
<b>Capital and reserves</b>			
Called up share capital	24	-	-
Foreign exchange reserve	25	(431)	(431)
Profit and loss account	25	35,330	69,026
		<u>34,899</u>	<u>68,595</u>
<b>Shareholders' Funds</b>		<u>34,899</u>	<u>68,595</u>

<sup>1</sup>See Note 26 for details regarding the restatement of the tax treatment of certain historical intangible assets. In 2021 the deferred and contingent consideration balances were presented as part of the 'Creditors' balance. In 2022 the deferred and contingent consideration balances are presented as a separate line item. No changes have been made to the total amounts.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by,



**Toby Woolrych**  
 Director  
 17 November 2023

**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**  
**REGISTERED NUMBER: 06707516**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Foreign exchange reserve	Profit and loss account	Total equity
	\$000	\$000	\$000	\$000
<b>At 1 January 2021</b>	-	(431)	64,378	63,947
Restatement of intangible tax treatment	-	-	3,113	3,113
<b>As at 1 January 2021 (restated<sup>1</sup>)</b>	-	(431)	67,491	67,060
Profit for the financial year and total comprehensive expense (restated <sup>1</sup> )	-	-	1,535	1,535
<b>At 31 December 2021 (restated<sup>1</sup>)</b>	-	(431)	69,026	68,595
Loss for the financial year and total comprehensive expense	-	-	(33,696)	(33,696)
<b>At 31 December 2022</b>	-	(431)	35,330	34,899

The notes on pages 21 to 41 form part of these financial statements.

<sup>1</sup>See Note 26 for details regarding the restatement of the tax treatment of certain historical intangible assets.

## ONTIC ENGINEERING & MANUFACTURING UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 1. General information

Ontic Engineering & Manufacturing UK Limited is a private company limited by shares incorporated in the United Kingdom, registered in England and Wales.

Its registered office is Cleeve Business Park, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8TW.

The Company was acquired by Bleriot Bidco Limited on 31 October 2019. See Note 29 for information on ultimate controlling party.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard FRS 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland ("FRS 102") and the Companies Act 2006. The financial statements have been prepared under the historical cost convention except for certain financial instruments which are measured at fair value as specified within these accounting policies. Amendments of accounting standards in the year that are effective for the year-ended 31 December 2022 have had no material impact on the financial statements of the Company.

These financial statements are presented in USD, which is the currency of the primary economic environment in which the Company operates, and amounts have been rounded to the nearest thousand unless stated otherwise.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see Note 3).

The Company meets the definition of a qualifying entity under FRS 102 and the Directors have therefore taken advantage of available exemptions in respect of its separate financial statements from the requirements to disclose information on the remuneration of key management personnel, related party transactions, preparation of a cash flow statement and financial instruments. The equivalent disclosure is included within the consolidated financial statements of Bleriot Group in which the company is consolidated.

The Company is a wholly owned subsidiary of Bleriot Bidco Limited and of its ultimate parent, Bleriot Finco Holdings Limited. It is included in the consolidated statements of Bleriot Finco Holdings Limited which are publicly available and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The ultimate parent and the smallest and largest group to consolidate these financial statements is Bleriot Finco Holdings Limited.

##### Going concern

The Company has net assets and is expected to continue to generate positive cash flows on its own account for the foreseeable future. It has a strong portfolio of geographically diverse customers and expects to grow rapidly in the coming years with future investment. The Company participates in the Group's centralised treasury arrangements and so may access the banking arrangements of its parent and fellow subsidiaries should further liquidity become necessary to finance its on going operations and future development. After receiving intercompany funding from the Group to fund new licence investments the Company is in a net current liability position in 2022, however there is no expectation this funding will require repayment within 12 months from the date of the issue. Bleriot Finco Holdings Limited has committed to provide support to the Company and has guaranteed that any subsidiary companies of Bleriot Finco Holdings Limited will not demand repayment of loans made or funds advanced to the Company until such a time the Company is able to repay the funds.

The Company was buoyed by its strong military markets throughout the Covid-19 period, and Ontic's civil markets demonstrated a strong recovery, with Civil market revenues exceeding pre-pandemic levels.

## ONTIC ENGINEERING & MANUFACTURING UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 2. Accounting policies (continued)

The Directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements.

The Company has considerable financial resources and strong relationships with key licensor partners, customers and suppliers. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

Building upon year to date performance, the Company has forecast through 12 months from the date of issue of the financial statements. The Company is forecast to be profitable and generate positive operating cashflow. On the basis of their assessment of the Company's financial position, the Company's Directors have a reasonable expectation that the Company has adequate resources to continue in existence undertaking the principal business activity outlined above for the foreseeable future.

In satisfying themselves that the going concern basis is appropriate, the Directors have considered three sensitivities:

- A scenario based on the Directors' realistic expectations of the Company's performance based on the 2023 budget and long-term business plan;
- A scenario of a downside sensitised fall in revenues of 5% resulting from a decrease in sales which is in excess of the Directors' realistic expectations; and
- Reduction of revenue by 10% with additional reduction of margins by 2%.

The following principal accounting policies have been applied:

#### 2.2 Foreign currency translation

##### Functional and presentation currency

The Company's functional and presentational currency is USD as that is the currency of the primary economic environment in which the Company operates.

##### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

#### 2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

## ONTIC ENGINEERING & MANUFACTURING UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 2. Accounting policies (continued)

##### Sale of goods

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

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

If contracts entered into by the Company are subsequently modified from the original terms, these are assessed to ensure that the above criteria remain satisfied and the timing and amount of revenue adjusted according to the conclusion of this assessment.

#### 2.4 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

#### 2.5 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

#### 2.6 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### 2.7 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

#### 2.8 Pensions

##### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

## ONTIC ENGINEERING & MANUFACTURING UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 2. Accounting policies (continued)

##### 2.9 Intangible assets

###### Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to administrative expenses over its useful economic life, which typically is up to 15 years (licensed IP) or 20 years (owned IP) and reflects average product lifespan.

###### Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The business acquires licences from Original Equipment Manufacturers (OEMs) to become the alternate OEM for that product. The useful life is based on the underlying contract, where that is a determinable period. An annual review is performed to assess the licence's remaining useful life against the vitality of the underlying platform.

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is provided on the cost of software and is calculated on a straight line basis over the useful life of the software, which typically is a period of up to 5 years.

Intangible assets, other than goodwill, arising on acquisitions are capitalised at fair value. An intangible asset will be recognised as long as the asset is separable or arises from contractual or other legal rights, and its fair value can be measured reliably. Amortisation is provided on the fair value of the asset and is calculated on a straight line basis over its useful life, which typically is up to 15 years (licensed IP) or 20 years (owned IP). The amortisation charge is recognised in administrative expenses for all classes of intangibles.

##### 2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

The estimated useful lives range as follows:

Land	Not depreciated
Freehold buildings	40 years maximum
Leasehold buildings	Shorter of useful life or lease term
Plant and machinery	10 years
Motor vehicles	4 years
Computer equipment	3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

## ONTIC ENGINEERING & MANUFACTURING UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 2. Accounting policies (continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

All capital expenditure is initially recognised as assets under course of construction. Assets under course of construction are measured at historical cost and are not depreciated. When the assets are ready for use, they are transferred at historical cost to their appropriate asset category, from which point depreciation commences and is charged to the Statement of Comprehensive Income over the useful life of the asset.

##### 2.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss. Provision is made for slow-moving or obsolete inventory as appropriate.

##### 2.12 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### 2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

##### 2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

##### 2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

## ONTIC ENGINEERING & MANUFACTURING UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 2.16 Taxation

The charge for taxation is based on the profit for the year and comprises current and deferred taxation. Current tax is calculated at tax rates which have been enacted or substantively enacted as at the balance sheet date.

Deferred taxation takes into account taxation deferred due to temporary differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is accounted for using the balance sheet liability method and is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases in the computation of taxable profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at tax rates which have been enacted or substantively enacted at the balance sheet date and that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Profit and Loss, except when it relates to items charged or credited to the Statement of Other Comprehensive Income (in which case the deferred tax is also dealt with in the Statement of Other Comprehensive Income), or when it relates to items charged or credited directly to equity (in which case the related tax is also charged or credited directly to equity).

#### 2.17 Financial instruments

Derivatives, including foreign exchange options which the Company utilised during the period, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement. The Company does not currently apply hedge accounting for its foreign exchange derivatives.

#### 2.18 Investments

Investments in subsidiaries and associates are held at cost less accumulated impairment losses.

## ONTIC ENGINEERING & MANUFACTURING UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 2, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There were no critical judgements made by the Directors during the year in applying the Company's accounting policies.

Items in the financial statements that are a key source of estimation uncertainty are:-

##### ***Impairment review of goodwill and intangible assets***

Impairment testing of intangible assets (licences) and impairment of goodwill analysis is performed at each reporting period where indicators of impairment are noted. The carrying amount of assets is compared to the recoverable amount of assets being the higher of fair value of the assets less cost to sell and value in use (present value of future cash flows from the use of the asset). Please refer to Note 12.

##### ***Fair value accounting of acquisitions***

The assessment of the fair value of acquisitions: the valuation of non-current assets and liabilities is often dependent on, and sensitive to, long term forecasts of the related cash flows and the discount rates applied. These are in turn dependent on long term forecasts of the performance of the business. As such the valuation of these assets and liabilities is considered to be a key source of estimation uncertainty.

For certain acquisitions, provision has been made as part of the fair value accounting for onerous contracts transferred to Ontic where the unavoidable costs of meeting obligations under the contracts exceed the economic benefits expected to be received. A provision has been recognised for the present value of the estimated expenditure to fulfil the contract on a direct cost basis, which includes projections of expected build schedules and platform lives.

##### ***Carrying value of inventories***

Inventories are stated at the lower of cost or net realisable value. The inventory provision has been valued by determination of whether each part is active, utilising historical sales and confirmed orders to predict the estimated future demand for each line item. Directors reviewed the sales pattern of the assets and considered the limited nature of the market for many of the products in determining the appropriate inventory provisioning policy. The business categorises inventory for the purposes of material planning as either a 'Runner', 'Repeater', or 'Stranger' ("RRS categorisations") depending on the usage pattern within the business. In the current year, the inventory provisioning policy which was previously based on 3-year sales projections has been refined to be informed by the RRS categorisations, with 'Runner' inventory provided much more aggressively following a drop in usage compared to 'Stranger' inventory where usage is expected to fluctuate.

Judgement is involved in defining the RRS categorisations, and additionally in taking strategic decisions such as last-time-buys which are manually adjusted in the provision calculation as decisions are taken on the basis of future expected demand. Sensitivity analysis is impractical to quantify as demand and historical sales information is based on item-by-item data. As a significant estimate it is possible that outcomes within the next financial year that are different from the original assumptions may require a material adjustment to the carrying amount of the provision.

**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**4. Turnover**

An analysis of turnover by class of business is as follows:

	<b>2022</b>	<i>2021</i>
	<b>\$000</b>	<i>\$000</i>
Sale of goods	94,429	78,897
Rendering of services	28,990	28,999
	<b>123,419</b>	<i>107,896</i>
	<b>123,419</b>	<i>107,896</i>

Analysis of turnover by country of destination:

	<b>2022</b>	<i>2021</i>
	<b>\$000</b>	<i>\$000</i>
United Kingdom	37,074	33,011
Rest of Europe	18,713	11,827
Rest of World	67,632	63,058
	<b>123,419</b>	<i>107,896</i>
	<b>123,419</b>	<i>107,896</i>

**5. Operating profit**

The operating profit is stated after charging/(crediting):

	<b>2022</b>	<i>Restated<sup>1</sup></i>
	<b>\$000</b>	<i>\$000</i>
Depreciation of tangible fixed assets	1,799	1,491
Amortisation of intangible assets, including goodwill	13,999	21,751
Exchange differences	2,450	(1,621)
Staff costs	33,081	25,859
Operating lease rentals	533	478
	<b>53,662</b>	<i>48,959</i>
	<b>53,662</b>	<i>48,959</i>

<sup>1</sup>See Note 26 for details regarding the restatement of the tax treatment of certain historical intangible assets.

**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**6. Auditor's remuneration**

	<b>2022</b>	<i>2021</i>
	<b>\$000</b>	<i>\$000</i>
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<b>241</b>	166
	<u><b>241</b></u>	<u>166</u>

There were no non-audit services or fees in either the current or prior years paid or due to the Company's auditor.

**7. Employees**

Staff costs, including Directors' remuneration, were as follows:

	<b>2022</b>	<i>2021</i>
	<b>\$000</b>	<i>\$000</i>
Wages and salaries	<b>28,110</b>	22,060
Social security costs	<b>3,724</b>	3,323
Cost of defined contribution scheme	<b>1,247</b>	476
	<u><b>33,081</b></u>	<u>25,859</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	<b>2022</b>	<i>2021</i>
	<b>No.</b>	<i>No.</i>
Production	<b>297</b>	238
Administration	<b>156</b>	108
	<u><b>453</b></u>	<u>346</u>

**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**8. Directors' remuneration**

	<b>2022</b>	<b>2021</b>
	<b>\$000</b>	<b>\$000</b>
Directors' emoluments	620	424
Company contribution to defined contribution pension schemes	30	24
	650	448
	650	448

Remuneration disclosed above includes total emoluments of \$360,000 (2021: \$302,000) attributable to the highest paid director for qualifying services provided to the Company.

During the year retirement benefits were accruing to 4 Directors (2021 - 3) in respect of defined contribution pension schemes.

**9. Interest receivable and similar income**

	<b>2022</b>	<b>2021</b>
	<b>\$000</b>	<b>\$000</b>
Derivative financial instruments measured at fair value through profit or loss	575	-
	575	-
	575	-

**10. Interest payable and similar expenses**

	<b>2022</b>	<b>2021</b>
	<b>\$000</b>	<b>\$000</b>
Realised loss on derivatives	43,938	-
Interest on loans from group undertakings	9,043	9,459
Loss on extinguishment	918	-
Discounting – deferred consideration	788	151
Discounting – provisions	620	-
Derivative financial instruments measured at fair value through profit or loss	-	1,041
Other finance costs	397	(74)
	55,704	10,577
	55,704	10,577

**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**10. Interest payable and similar expenses (continued)**

The 'Realised loss on derivatives' and 'Loss on extinguishment' relate to the performance and close-out of a number of structured option positions. During the year management discovered that the Group Treasurer at the time had entered into a number of unapproved positions involving structured options, and the weakening of GBP against the dollar had caused losses to begin to accumulate. Ontic closed out the positions in early August at a loss of \$42,932,000. The 'Loss on extinguishment' of \$918,000 represents the execution spread of the close-outs, and the 'Realised loss on derivatives' represents the loss on close-out in addition to option expiry losses incurred up to the point of close out and other realised FX impacts. The structured options have been replaced by simple forwards when needed, and additional controls have been put in place.

**11. Taxation**

	<b>2022</b>	<i>Restated<sup>1</sup></i> <b>2021</b>
	<b>\$000</b>	<b>\$000</b>
<b>Current tax</b>		
Corporation tax (credit)/charge excluding below items:	(68)	1,240
Adjustments in respect of prior periods – current tax	(729)	(345)
	<hr/>	<hr/>
Total current tax	<b>(797)</b>	<b>895</b>
	<hr/>	<hr/>
<b>Deferred tax</b>		
Prior year adjustment	898	242
Origination and reversal of timing differences	(9,529)	(1,356)
Effect of rate change	-	312
	<hr/>	<hr/>
Total deferred tax (Note 23)	<b>(8,631)</b>	<b>(802)</b>
	<hr/>	<hr/>
Total tax (credit)/expense for the year	<b>(9,428)</b>	<b>93</b>
	<hr/>	<hr/>

**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**11. Taxation (continued)**

**Factors affecting tax credit for the year**

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:-

	<b>2022</b>	<i>Restated<sup>1</sup></i>
	<b>\$000</b>	<i>2021</i>
		<i>\$000</i>
(Loss)/profit before tax	<b>(43,124)</b>	1,628
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	<b>(8,194)</b>	309
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>426</b>	138
Adjustments to tax charge in respect of prior periods	<b>101</b>	(103)
Difference in tax rates and impact of rate change	<b>(2,358)</b>	312
Group relief surrendered/(claimed)	<b>597</b>	(563)
Total tax (credit)/expense for the year	<b>(9,428)</b>	93

**Factors affecting current and future tax charge**

<sup>1</sup>The Company identified that it was taking a potentially overly-prudent position in relation to the tax deductions applied to the amortisation of a number of its historical intangibles, and commissioned a tax project with its tax advisors to perform a detailed review of the nature of the historical acquisitions and appropriate tax treatment. The review identified that certain intangibles were eligible for additional tax deductions which had not previously been recognised when they could have been. The impact of this correction is detailed in Note 26.

An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was published in the 2021 Finance Bill on 11 March 2021. Therefore, the deferred tax balance as at 31 December 2021 has been calculated at 25% with the difference between the rate used for current tax and deferred tax being \$2.4m as presented in the reconciliation above. No significant impact is noted following enactment of the 2022 Finance Act in the current period.

**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**12. Intangible assets**

	Goodwill \$000	Licences \$000	Computer software \$000	Total \$000
<b>Cost</b>				
At 1 January 2022 (restated <sup>1</sup> )	30,044	177,692	7,748	215,484
Additions	-	59,154	2,038	61,192
Measurement period adjustment	(1,359)	-	-	(1,359)
Transfers	-	-	55	55
<b>At 31 December 2022</b>	<b>28,685</b>	<b>236,846</b>	<b>9,841</b>	<b>275,372</b>
<b>Amortisation</b>				
At 1 January 2022 (restated <sup>1</sup> )	20,496	55,438	1,727	77,661
Charge for the year	672	12,254	1,073	13,999
<b>At 31 December 2022</b>	<b>21,168</b>	<b>67,692</b>	<b>2,800</b>	<b>91,660</b>
<b>Net book value</b>				
At 31 December 2022	7,517	169,154	7,041	183,712
At 31 December 2021 (restated <sup>1</sup> )	9,548	122,254	6,021	137,823

Included within the software balance as at 31 December 2022 is \$1.8m (2021: \$0.7m) of software under development. In 2022 a measurement period adjustment was recognised in respect of acquisitions in 2021. This adjustment arose as a result of a working capital adjustment to consideration and further information received regarding provisions on acquisition. The adjustment resulted in a decrease to goodwill of \$1,359,000 and a decrease to provisions of \$821,000. <sup>1</sup>See Note 26 for details regarding the restatement of the tax treatment of certain historical intangible assets.

**13. Tangible assets**

	Land and buildings \$000	Plant and machinery \$000	Motor vehicles \$000	Computer equipment \$000	Assets under course of construction \$000	Total \$000
<b>Cost or valuation</b>						
At 1 January 2022	17,995	6,063	94	780	206	25,138
Additions	116	890	-	1,206	703	2,915
Disposals	-	(19)	-	-	-	(19)
Transfers	67	(67)	-	-	(56)	(56)
<b>At 31 December 2022</b>	<b>18,178</b>	<b>6,867</b>	<b>94</b>	<b>1,986</b>	<b>853</b>	<b>27,978</b>
<b>Depreciation</b>						
At 1 January 2022	4,373	2,806	83	694	-	7,956
Charge for the year	969	743	7	80	-	1,799
Exchange adjustments	(21)	(37)	-	-	-	(58)
<b>At 31 December 2022</b>	<b>5,321</b>	<b>3,512</b>	<b>90</b>	<b>774</b>	<b>-</b>	<b>9,697</b>

**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**13. Tangible assets (continued)**

	Land and buildings \$000	Plant and machinery \$000	Motor vehicles \$000	Computer equipment \$000	Assets under course of construction \$000	Total \$000
<b>Net book value</b>						
At 31 December 2022	12,857	3,355	4	1,212	853	18,281
At 31 December 2021	13,622	3,257	11	86	206	17,182

**14. Investments in subsidiaries**

	2022 \$000	2021 \$000
<b>Cost</b>		
Investments in subsidiaries	3,054	3,054

On 4 May 2021 the Company acquired 100% of the ordinary shares of AP Filtration Limited from APPH Limited, a subsidiary of Héroux-Devtek. AP Filtration Limited is a UK company based out of a facility in Bolton which specialises in the design and manufacture of filtration systems for aerospace applications.

At 31 December 2022 the direct subsidiary undertakings of the Company were as follows:

Name	Country of incorporation	Address of Registered office	Class of share	Holding	Principal activity
AP Filtration Limited	England and Wales	Cleeve Business Park Bishops Cleeve Cheltenham Gloucestershire GL52 8TW	Ordinary	100% (Direct)	Manufacture of air and spacecraft and related machinery

**15. Stocks**

	2022 \$000	2021 \$000
Raw materials and consumables	37,914	28,447
Work in progress	13,796	10,520
Finished goods	8,297	5,976
	<u>60,007</u>	<u>44,943</u>

The inventory balance as at 31 December 2022 is net of the Company's excess and obsolete provisions balance of \$32,626,000 (2021: \$30,715,000) which is estimated in accordance with the Company's inventory provision policy. The excess and obsolete provision is considered equal to the difference between the inventory carrying amount and its replacement cost.

**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**16. Debtors**

	<b>2022</b>	<i>Restated<sup>1</sup></i> <b>2021</b>
	<b>\$000</b>	<b>\$000</b>
<b>Due after more than one year</b>		
Deferred tax asset	10,791	2,747
<b>Due within one year</b>		
Trade debtors	22,388	27,392
Amounts owed by group undertakings	10,627	6,216
Other debtors	1,971	669
Corporation tax asset	-	1,114
Prepayments and accrued income	4,252	5,011
	<b>39,238</b>	<b>40,402</b>
<b>Total debtors</b>	<b>50,029</b>	<b>43,149</b>

The amounts owed by group undertakings consist of normal intercompany trading balances (with no interest and at call). Included within amounts owed by group undertakings is \$2,563,000 owed by subsidiaries (2021: \$2,306,000), \$5,370,000 owed by fellow group undertakings (2021: \$1,645,000) and \$2,694,000 by parent entities (2021: \$2,265,000).

<sup>1</sup>See Note 26 for details regarding the restatement of the tax treatment of certain historical intangible assets.

**17. Cash at bank and in hand**

	<b>2022</b>	<b>2021</b>
	<b>\$000</b>	<b>\$000</b>
Cash at bank and in hand	23,423	12,237

**18. Creditors: Amounts falling due within one year**

	<b>2022</b>	<i>Restated<sup>1</sup></i> <b>2021</b>
	<b>\$000</b>	<b>\$000</b>
Trade creditors	15,293	13,971
Amounts owed to group undertakings	142,209	37,063
Corporation tax liability	25	-
Other taxation and social security	21	-
Other creditors	573	639
Accruals	13,737	15,253
Deferred income	5,461	2,451
Derivatives	789	1,364
	<b>178,108</b>	<b>70,741</b>

**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**18. Creditors: Amounts falling due after more than one year (continued)**

There has been no security given in respect of any amounts contained within these balances.

The amounts owed to group undertakings consist of intercompany funds received in order to purchase new investments, normal trading balances and intercompany management fees and recharges (at no interest and at call). Included within amounts owed to group undertakings is \$894,000 owed to subsidiaries (2021: \$55,000), \$60,534,000 owed to fellow group undertakings (2021: \$5,234,000) and \$80,780,000 to parent entities (2021: \$31,774,000).

<sup>1</sup>The 2021 deferred and contingent consideration balance was presented as part of the 'Other creditors' balance at a value of \$2,914,000. In 2022 deferred and contingent consideration balances are presented separately in Note 20. No changes have been made to the total amounts.

**19. Creditors: Amounts falling due after more than one year**

	<b>2022</b>	<i>Restated<sup>1</sup></i>
	<b>\$000</b>	<i>2021</i>
		<i>\$000</i>
Amounts owed to group undertakings	<b>92,873</b>	91,542
	<b>92,873</b>	91,542

There has been no security given in respect of any amounts contained within these balances.

The amounts owed to group undertakings consist of a \$91,324,000 loan agreement with Bleriot Bidco Limited, dated 31 October 2019. The loan is repayable in full on 31 October 2029. Interest is charged on the loan at a rate of 10%. Interest is due annually, after which any unpaid interest is added to the loan balance and hence becomes subject to further interest.

<sup>1</sup>The 2021 deferred and contingent consideration balance was presented as part of the 'Other creditors' balance at a value of \$5,291,000. In 2022 deferred and contingent consideration balances are presented separately in Note 20. No changes have been made to the total amounts.

**20. Deferred and contingent consideration**

	<b>2022</b>	<i>2021</i>
	<b>\$000</b>	<i>\$000</i>
<b>Amounts due within one year</b>		
Deferred consideration	<b>522</b>	1,918
Contingent consideration	<b>301</b>	996
	<b>823</b>	2,914

**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**20. Deferred and contingent consideration (continued)**

	<b>2022</b>	<i>2021</i>
	<b>\$000</b>	<i>\$000</i>
<b>Amounts due greater than one year</b>		
Contingent consideration	5,848	5,291
	5,848	5,291

Deferred and contingent consideration relates to new intellectual property investments. Contingent consideration is the present value of expected royalty or earn-out payments contingent upon future trading or other criteria. Deferred consideration reflects obligations to pay specified amounts at future dates.

**21. Provisions for liabilities**

	<b>Warranty</b>	<b>Other</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
At 1 January 2022	2,267	15,057	17,324
Measurement period adjustment	(133)	(688)	(821)
Charged to profit and loss account	886	9,665	10,551
Released unused	(425)	(55)	(480)
Utilisation of provision	(870)	(1,763)	(2,633)
Discounting	-	620	620
	1,725	22,836	24,561
	1,725	22,836	24,561
<b>Analysed as:</b>		<b>2022</b>	<b>2021</b>
		<b>\$000</b>	<b>\$000</b>
Current liabilities		5,304	6,714
Non-current liabilities		19,257	10,610
		24,561	17,324
		24,561	17,324

**Warranty**

The provision for product warranties relates to expected warranty claims on products sold. Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the best estimate of the expenditure required to settle the Company's obligation. Warranty periods vary between 12 months and 4 years.

**Other**

Other provisions relate to allowances for potential liquidated damages and onerous contracts on new IP purchases. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The liabilities have an expected life of up to 20 years. For further discussion on key estimates & accounting judgements applied, please refer to Note 3.

**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**22. Financial instruments**

	<b>2022</b>	<b>2021</b>
	<b>\$000</b>	<b>\$000</b>
<b>Financial assets</b>		
Financial assets measured at amortised cost	<b>34,285</b>	29,587
Cash at bank measured at amortised cost	<b>23,423</b>	12,237
	<hr/>	<hr/>
	<b>57,708</b>	41,824
	<hr/> <hr/>	<hr/> <hr/>
	<b>2022</b>	<b>2021</b>
	<b>\$000</b>	<b>\$000</b>
<b>Financial liabilities</b>		
Financial liabilities measured at fair value through profit or loss	<b>(7,460)</b>	(9,570)
Financial liabilities measured at amortised cost	<b>(288,192)</b>	(168,943)
	<hr/>	<hr/>
	<b>(295,652)</b>	(178,513)
	<hr/> <hr/>	<hr/> <hr/>

Financial assets that are debt instruments measured at amortised cost comprise the trade debtors balance, amounts owed by group undertakings, accrued income and other receivables, excluding prepayments.

Financial liabilities measured at fair value through profit or loss comprise derivatives to hedge the Company's foreign currency risk and deferred and contingent consideration balances in relation to new intellectual property investments. The derivative financial instruments are Level 2 in the fair value hierarchy as the value of these instruments is driven by an underlying active market. Broker quotes form the basis for determining the fair values of these instruments. Deferred & contingent consideration are Level 3 in the fair value hierarchy as these are valued using expected cash outflows based on the licence purchase terms, Ontic's knowledge of the product line and how the current economic environment is likely to impact it. The 2021 deferred and contingent consideration balance was presented as 'measured at amortised cost' category at a value of \$8,205,000. In 2022 the deferred and contingent consideration balances are presented as 'measured at fair value through profit or loss'.

Financial liabilities measured at amortised cost comprise all elements constituting the creditors balance, excluding derivatives measured through profit or loss, deferred and contingent consideration, corporation tax, deferred income, other taxation and social security, and the accrued payroll element of other creditors.

**23. Deferred taxation**

	<b>2022</b>
	<b>\$000</b>
At beginning of year	766
Charged to profit or loss	8,631
	<hr/>
At end of year	<b>9,397</b>
	<hr/> <hr/>

**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**23. Deferred taxation (continued)**

The provision for deferred taxation is made up as follows:

	<b>2022</b>	<i>Restated<sup>1</sup></i> <b>2021</b>
	<b>\$000</b>	<i>\$000</i>
Accelerated capital allowances	<b>(1,394)</b>	(591)
Tax losses	<b>10,791</b>	1,357
	<b>9,397</b>	766
	<b>9,397</b>	766
	<b>2022</b>	<i>Restated<sup>1</sup></i> <b>2021</b>
	<b>\$000</b>	<i>\$000</i>
Comprising:		
Asset - due after one year	<b>10,791</b>	2,747
Liability	<b>(1,394)</b>	(1,981)
	<b>9,397</b>	766
	<b>9,397</b>	766

The Company is expected to generate sufficient future profits in order to support the deferred tax assets recognised. The expected net reversal of deferred tax assets in the next 12 months to 31 December 2023 is £4.8m; this is expected to arise due to availability of taxable profits. There is no expiry date on timing differences, unused tax losses or tax credits. <sup>1</sup>See Note 26 for details regarding the restatement of the tax treatment of certain historical intangible assets.

Part of the deferred tax asset relates to Realised losses on derivatives and Loss on extinguishment of foreign exchange positions, of which the gross (pre-tax) impact is \$44.8m, split 43.9m and 0.9m respectively as disclosed in Note 5. The loss has been recognised from a tax perspective on the basis that these were contracts entered into by an authorised individual in the course of their duties for Ontic. We will continue to review and confirm the appropriateness of this position through the coming period.

**24. Share capital**

	<b>2022</b>	<b>2021</b>
	<b>\$000</b>	<i>\$000</i>
<b>Authorised, allotted, called up and fully paid</b>		
1 Ordinary share of £1.00	-	-

**25. Reserves**

**Foreign exchange reserve**

This represents the adjustment resulting from the Company's decision in 2019 to change its reporting and presentational currency from Pounds Sterling to United States dollars.

**Profit and loss account**

This represents the cumulative profit and loss account at the balance sheet date.

**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**26. Restatement of historical intangible tax treatment**

The Company identified that it was taking a potentially overly-prudent position in relation to the tax deductions applied to the amortisation of a number of its historical UK intangibles, and commissioned a tax project with its tax advisors to perform a detailed review of the nature of the historical acquisitions and appropriate tax treatment. The review identified that certain intangibles were eligible for additional tax deductions which had not previously been recognised when they should have been. The impact of this correction results in the derecognition of a \$13.9m deferred tax liability that was recognised on historical licence investments, with recognition of a related \$2.7m deferred tax asset and \$300k of cash taxes receivable. A corresponding reduction to intangible assets of \$9.6m was recognised due to management revisiting the intangible valuation assumptions in light of the change in tax treatment.

The impact in the previous accounting period's results is as shown below.

	2021	Increase/ (decrease)	Restated 2021
<b>Statement of profit or loss and comprehensive income (extract)</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Profit before taxation</b>	<b>682</b>	<b>946</b>	<b>1,628</b>
Tax income/(expense)	(3,306)	3,213	(93)
<b>Profit/(Loss) for the financial year</b>	<b>(2,624)</b>	<b>4,159</b>	<b>1,535</b>

	2021	Increase/ (decrease)	Restated 2021	2020	Increase/ (decrease)	Restated 2020
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Balance sheet (extract)</b>						
Intangible assets	147,444	(9,621)	137,823	111,127	(10,567)	100,560
Debtors	40,197	2,952	43,149	20,777	1,110	21,887
Deferred tax liability	(15,922)	13,941	(1,981)	(13,495)	12,570	(925)
<b>Net assets</b>	<b>61,323</b>	<b>7,272</b>	<b>68,595</b>	<b>63,947</b>	<b>3,113</b>	<b>67,060</b>
Retained earnings	61,754	7,272	69,026	64,378	3,113	67,491
<b>Total equity</b>	<b>61,323</b>	<b>7,272</b>	<b>68,595</b>	<b>63,947</b>	<b>3,113</b>	<b>67,060</b>

**27. Pension commitments**

The Company operates a stakeholder pension contribution scheme for which the pension cost charge for the year amounted to \$1,247,000 (2021 - \$476,000). There is a \$197,000 outstanding contribution as at the balance sheet date (2021 - \$171,000).

**ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**28. Financial commitments**

At 31 December 2022 the Company had the following capital commitments:

	<b>2022</b>	<i>2021</i>
	<b>\$000</b>	<i>\$000</i>
<b>Contracts for future capital expenditure not provided in the financial statements</b>		
Intangible assets	-	297
Property, plant and equipment	<b>846</b>	-
	<b>846</b>	<i>297</i>

At 31 December 2022 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>2022</b>	<i>2021</i>
	<b>\$000</b>	<i>\$000</i>
Not later than 1 year	<b>467</b>	541
Later than 1 year and not later than 5 years	<b>1,713</b>	1,978
Later than 5 years	<b>2,816</b>	3,681
	<b>4,996</b>	<i>6,200</i>

**29. Controlling party**

The Company is a subsidiary of Bleriot Topco Limited, incorporated in Jersey. The ultimate parent company is Bleriot Holdings Jersey Limited, incorporated in Jersey. The Directors believe that there is no ultimate controlling party given the diverse shareholdings of Bleriot Holdings Jersey Limited, which is controlled by funds managed by CVC Capital Partners.

The largest (and smallest) group in which the results of the Company are consolidated is that headed by Bleriot Finco Holdings Limited, incorporated in England and Wales, and registered at 2<sup>nd</sup> Floor 107 Cheapside, London, England, EC2V 6DN. The consolidated financial statements of the Group are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

**30. Events after the end of the reporting period**

In August 2023 the Company paid consideration of \$65m in relation to a licence agreement to acquire the rights to a thrust reverser actuation system product line with one of its key existing OEM partners.