

Ontic Engineering & Manufacturing UK Limited

Annual Report and Financial Statements

Registered number: 06707516

Year ended 31 December 2023

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ONTIC ENGINEERING & MANUFACTURING UK LIMITED

COMPANY INFORMATION

Directors	Gareth Hall Matthew Pritchard Gareth Blackbird Toby Woolrych
Registered number	06707516
Registered office	Cleeve Business Park Bishops Cleeve Cheltenham Gloucestershire GL52 8TW
Independent auditor	Deloitte LLP Temple Quay 3 Rivergate Redcliffe Bristol BS1 6GD

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

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ONTIC ENGINEERING & MANUFACTURING UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors present their Strategic Report for the year ended 31 December 2023.

Introduction

The principal activities of Ontic Engineering & Manufacturing UK Limited ("the Company") comprise 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 and Honeywell). 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 ("the 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

2023 Performance

	2023	Restated ¹ 2022	Change	Change
	\$000	\$000	\$000	%
STATUTORY				
Revenue ²	167,927	123,419	+44,508	+36%
Operating profit / (loss) ²	44,399	26,783	+17,616	+66%
Profit / (loss) before tax	36,426	(29,279)	+65,705	+224%
Net income / (loss)	29,346	(23,546)	+52,892	+225%

¹ See note 26 of the financial statements for details regarding the restatement of historical other provisions.

² Identified as a Key Performance Indicator (KPI) which the Directors use to monitor the Company's progress against its strategic objectives and financial performance on a regular basis.

The Company delivered a strong year of revenue and profit growth. During the year ended 31 December 2023 the Company has generated \$167,927k turnover (2022: \$123,419k). The primary drivers for the increase in revenue in 2023 are continued organic growth from existing IP investments in addition to the new IP investments made.

The Company generated operating profit of \$44,399k (2022 restated: \$26,783k profit). The increase in operating profit is a result of higher overall revenue.

After tax the Company delivered a profit of \$29,346k (2022 restated: loss of \$23,546k). As at 31 December 2023 the Company held net assets of \$74,615k (2022 restated: \$45,269k), including cash balances of \$45,661k (2022: \$23,423k).

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

In August 2023, the Company completed a new licence IP investment relating to actuation systems. The investment further strengthens the Company's core product portfolio and has synergies with existing product-lines within the Company and supports the Company's strategy to deliver continued profitable growth in mature avionics and electronics products with high intellectual property content.

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023**

Outlook

The Company expects to continue to deliver growth during 2024 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 2024 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 2023**

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
Cyber security	Risk around cyber-attacks or other IT security failings.	<ul style="list-style-type: none"> • Cyber security expertise embedded within the IT function. • Maintenance of formal security protocols and procedures, and appropriate training for staff. • Security features on systems including encryption and multifactor authentication. • Awarded ISO27001 standard for data protection and security. 	 Consistent
Product	Risk of the Company failing to manufacture products in the correct configuration or state potentially resulting in liabilities and reputational damage. Risk of product obsolescence due to regulatory restrictions on certain materials or chemicals.	<ul style="list-style-type: none"> • Production and supplier audits are undertaken to regularly monitor standards. • Implementation of new engineering systems including a new product lifecycle management tool that is being rolled out. • Operations in accordance with the Ontic Quality Management System (QMS) and applicable industry certifications. • Monitoring of regulatory environment, and regulatory compliance and impact mitigation processes. 	 Consistent
Business continuity	Risk of prolonged business disruption due to a physical incident (such as a fire or natural disaster), or a health & safety regulatory failure at a major site.	<ul style="list-style-type: none"> • Disaster recovery planning processes with plans regularly reviewed by the senior leadership team. • Mature HSE function in place with detailed policies, training and processes embedded in the business. 	 Consistent
New licence performance	Potential risk of not generating a financial return on completed licence investments, new licence integration failure, or the acquisition of liabilities not identified in due diligence.	<ul style="list-style-type: none"> • Robust due diligence processes operated by skilled and experienced staff. • Active monitoring of historical investment performance and integration activities. • Dedicated and well-resourced Project Management function responsible for overseeing licence investment integration. 	 Growing business and investment activity

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**





Principal risks and uncertainties (continued)

Risk	Description	Mitigation action/control	Change over prior year
Market	Risk of a decline or downturn in the aviation industry in which the Company operates. Competition risk relating to existing products and pipeline of potential acquisition targets.	<ul style="list-style-type: none"> Active monitoring of economic and market conditions by senior leadership and management of the product portfolio and demand. Diverse revenue streams and customer portfolio. Dynamic management of resources and focus on value streams with a superior outlook. Strong Business Development function with a clear strategic direction. 	 Covid-19 recovery and recovery in defence spend
Supply chain	Supply chain delays, material shortages or supplier insolvency may impact Ontic's ability to meet its customer obligations.	<ul style="list-style-type: none"> Ontic's supply chain function actively monitors supplier arrangements, aiming to manage supplier lead times against demand requirements. Continued investment in procurement technology to improve forward visibility, track suppliers and highlight any shortfalls. 	 Consistent
People	Potential failure to retain key employees or attract capable people which could lead to a lack of necessary expertise and continuity. Risks related to expanding the size and capabilities of the workforce to meet the higher demands of a growing business.	<ul style="list-style-type: none"> Focus on culture, making Ontic a good place to work and responding to staff feedback. Regular reviews of staff and a competitive pay structure. Robust succession planning for critical roles and senior leadership. Emerging talent programmes in place to nurture future leaders and upskill existing workforce. 	 Consistent
Climate-related risk	Potential impact of climate change on the business or climate-related changes on the industry.	<ul style="list-style-type: none"> Reduction in carbon footprint through recycling and investment in technology. Improved monitoring of climate-related metrics and management reporting. Ongoing risk assessments and monitoring of climate-related developments and regulatory changes. 	 Consistent
Financial & corporate risks			
Risk	Description	Mitigation action/control	Change over prior year
Banking covenants	Non-compliance with banking covenants may lead to penalties or sanction from lenders.	<ul style="list-style-type: none"> Group Treasury Function and Treasury Committee are in place which actively monitors covenant compliance and manages liquidity in the business. 	 Consistent
Internal control environment	Deficiencies in internal controls may negatively impact the business, including business disruption, financial losses or incorrect data.	<ul style="list-style-type: none"> Active monitoring of the Company's control environment by the Audit Committee. Utilisation of external advisors to consult on key control areas of the business e.g. Treasury. Internal Audit & Controls Manager operates within the finance team. 	 Additional control initiatives implemented

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Principal risks and uncertainties (continued)

Risk	Description	Mitigation action/control	Change over prior year
Cashflow and liquidity	Failure to be able to finance the cashflow requirements of the Company.	<ul style="list-style-type: none"> Weekly cashflow forecasts are performed and reviewed by Company leaders and the finance function. Maintain sufficient headroom in committed credit facilities and against covenants in those facilities. 	 Consistent
Foreign exchange risk	Exposure to transactional and translational foreign currency risk, most significantly on GBP balances within the UK business.	<ul style="list-style-type: none"> Foreign exchange strategy is in place by the Treasury Committee to monitor and hedge foreign exchange exposure. Strengthened controls implemented around foreign exchange transactions. 	 Consistent
Legal and compliance	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"> Dedicated compliance team which monitors regulatory compliance on an ongoing basis. Processes and procedures embedded in each facility to ensure all relevant regulatory requirements are met. 	 Consistent
Taxation	Tax legislative changes and complexity may reduce the tax effectiveness of the Company.	<ul style="list-style-type: none"> Continuous monitoring of tax legislation and usage of third-party tax advisors where necessary. Timely submission of all returns and satisfaction of all legislative tax requirements. 	 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 2023. 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 2023 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 2023

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 next 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 constructive evolution within our organisation. This will provide colleagues with opportunities. Our plans 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 a licence investment to expand its core portfolio. This investment supports 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 or Group. We have an effective succession planning program in place, with succession plans for all Senior Leadership and Management roles and for all roles identified as Single Points of Failure across 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 apprenticeships, internship and graduate positions, working with local schools and colleges to encourage emerging talent into STEM careers. In 2023 we received national recognition for our Early Careers Strategy winning the Best Youth Development Award at The Business Awards UK Manufacturing Awards and being shortlisted for Best Early Careers Strategy at the UK-wide HR Excellence Awards.

In addition, we seek to resource existing internal talent into opportunities including short to mid-term expatriate secondments across the Group. We've invested significantly in Management Development in 2023 – a number of managers in the UK are coming to the end of an ILM Management course.

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

b. The interests of the Company's employees (continued)

It is our ongoing priority to maintain and enhance our focus on safety and wellbeing and to be recognised by our employees as a 'great place to work'. We're committed to listening to our employees and continue to run an annual Employee Engagement Survey. In 2023, through our survey provider 'Best Companies,' we were once again recognized as #Top 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 also many other 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 runs regular polls and the opportunity to comment on stories. We have a number of online fora 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.

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.

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.

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

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.

The Company uses an 'authority document' to delegate authority to various different levels within the organisation based on the cost and impact, empowering the business leaders to take account of the needs of their own stakeholders in their decision-making. These business leaders 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 and appropriate regulatory authority approvals.

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Customers (continued)

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 Company'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

Understanding and minimizing the Company's long-term impact on the environment and our local communities is a priority for the Company.

In 2023, the Company signed an agreement with Schneider Electric to use their ESG platform and we are introducing reporting against KPIs for emissions, water usage, and waste as part of an increased focus around sustainability and the need for greater monitoring and accountability. Schneider Electric has compiled Ontic's Carbon Footprint Report for the year 2022 and are currently collecting data for 2023.

We became full members of the International Aerospace Environmental Group (IAEG), the leading global aerospace forum for sharing good practices concerning key issues and developing voluntary consensus standards around the environment and also participated in the Climate Ambition Accelerator of the UNGC to learn more about Science Based Targets (SBTi). As Ontic continues to grow at pace and the levels of its different activities increase, it is inevitable that our carbon emissions increase, so our priority is putting in place a program to understand whether any emission growth is due to our increase in size or whether we are not effectively managing our emissions. Last year we appointed a Global Regulatory Compliance Lead, who is focused on ensuring we meet regulations concerning chemical compliance, i.e. REACH.

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 all waste recovered and/or recycled (with the exception of hazardous waste which may be disposed of into Landfill according to DIRECTIVE 2008/98/EC). We also have programs to encourage employees to use sustainable transport by providing electric vehicle schemes, cycle to work schemes, bicycle sheds and electric car charging points. Currently around 8% of employees travel to work by sustainable transport (walking, cycling or public transport).

We have continued with our site-led Corporate Responsibility (CR) activity which raised over \$73,000 for good causes in 2023. Some of the highlights in 2023 included environmental work on projects such as mountain restoration, beach clean-ups, restoring our gardens on site and installing our own beehive and producing our first batch of honey. We've continued to raise money for local and national charities throughout the year by raising cash through various events and collecting toys / food, school supplies. We also took part in a group-wide Mario Kart Competition with each site raising money for local charities through the tournament entry fees and sponsorships and the victorious site winning \$5,000 to donate to a charity of their choice.

Every employee is entitled to one day, paid time off work to volunteer annually and can use this for their own efforts or for team-wide projects such as building play equipment for schools and restoring outdoor areas for local charities.

We support a number of local sports teams and events, and in 2023 sponsored a local Gloucestershire team who took part in the World's Toughest Row event, to row across the Atlantic. We also partnered with the Greatest Hits Radio's Mission Christmas Campaign, which provides festive gifts to thousands of underprivileged children. Alongside collecting toys locally we raised £2,821 which went towards the running of the campaign in Gloucestershire.

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

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 launched Destination 2027, a strategic plan which aims to enhance value for its shareholders. The plan consists of six main levers supported by underpinning strategies around our people, data and systems, and, of course, world-class engineering. We will strive to: Always deliver for our customers – our objective is to engage with our customers and deliver on our commitments; Benefit from our unique value – to ensure we are being appropriately compensated for the complexity of risks managed; Ensure a dynamic supply chain – continuing to strengthen our capability with our global approach; Grow through product line expansion – continuing to acquire targeted product licences and expand through mergers & acquisitions, Integrate & manage change brilliantly – effectively integrate produce licences and acquired sites; and Maximize organic growth – continuing to grow the existing business through a number of key initiatives.

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 acting for the Company exists at Bleriot Topco Limited level (of which the Company is a subsidiary) and is composed of seven members: the Chairman, three representatives of CVC Capital Partners, the CEO, the CCO and 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.

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

- Financial performance of the Ontic group;
- Budget;
- Capex projects;
- Financing contracts;
- Approval of compliance related policies;
- Audit Committee reports;
- Approval of the consolidated financial statements;
- Business reviews & market updates;
- Staff remuneration and bonus;
- Approval of acquisitions and new licence investments;
- Environment, Health and Safety (EHS) review; and
- Environmental, Social & Governance (ESG) review.

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

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

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 at least three times per year and discusses matters related to external audit including reviewing the audit plan and other auditor reporting, risk management, internal controls and non-audit services provided by the Group's statutory auditor. The committee is responsible for approving the appointment of the auditors.

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).

This report was approved by the board on 23 August 2024 and signed on its behalf by,



Toby Woolrych
Director

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors present their report and the financial statements for the year ended 31 December 2023.

Results and dividends

The profit for the year, after taxation, amounted to \$29,346k (2022 restated: loss of \$23,546k).

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

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 has a net current liability owed to the Group as at 31 December 2023. 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 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 2023

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 2024 budget and long-term business plan;
- A scenario of a downside sensitised fall in revenues of 5% resulting from a decrease in sales; and
- Reduction of revenue by 10% with additional reduction of margins by 2% which is in excess of the Directors' realistic expectations.

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 \$85.0m, of which \$15.0m 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 2023

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.

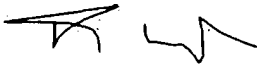
Post balance sheet events

As disclosed in note 30 of the accompanying financial statements, there were no reportable post balance sheet events.

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 23 August 2024 and signed on its behalf by,



Toby Woolrych
Director

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

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.

Independent auditor's report to the members of Ontic Engineering & Manufacturing Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit 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.

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. 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 2021; 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, pensions, IT, forensic and industry 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.

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 group's operations, inventory can be held for long periods prior to utilisation. The group 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 inventory. In order to assess the provision at the year end, we performed the following procedures:

- obtained an understanding of the relevant controls over the group's assessment of the excess and obsolete inventory provision;
- assessed the overall appropriateness of the inventory provision policy and applicability to the business;
- assessed compliance of management's approach for the calculation of the excess and obsolete provision with the group's refined policy;
- evaluated 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;
- tested 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 FY23 by comparing to the similar highest valued provision items in FY22 and assessed the consistency of the historical usage and forecast usage included in the FY23 provision calculation, understanding the reason for any variances;
- tested any significant outliers from the group's policy;
- challenged management by corroborating information and obtaining supporting evidence for all items where inconsistencies identified between expected and actual demand or changes in historical usage were noted; 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 and reviewing internal audit reports.

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.

Matters on which we are required to report by exception

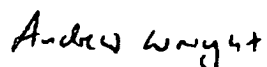
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 Wright FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Bristol, United Kingdom

23 August 2024

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 \$000	<i>Restated¹</i> 2022 \$000
Turnover	4	167,927	123,419
Cost of sales		(70,465)	(55,746)
Gross profit		97,462	67,673
Administrative expenses		(53,063)	(40,890)
Operating profit	5	44,399	26,783
Interest receivable and similar income	9	3,407	575
Interest payable and similar expenses	10	(11,380)	(56,637)
Profit / (loss) before taxation		36,426	(29,279)
Tax on profit / (loss)	11	(7,080)	5,733
Profit / (loss) for the financial year		29,346	(23,546)

There were no recognised gains and losses for 2023 or 2022 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.

¹ See note 26 for details regarding the restatement of historical other provisions.

ONTIC ENGINEERING & MANUFACTURING UK LIMITED
REGISTERED NUMBER: 06707516

BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 \$000	<i>Restated¹</i> 2022 \$000
Fixed assets			
Intangible assets	12	284,908	201,108
Tangible assets	13	22,354	18,281
Investments in subsidiaries	14	3,054	3,054
		310,316	222,443
Current assets			
Stocks	15	84,600	60,007
Debtors	16	73,652	46,334
Cash at bank and in hand	17	45,661	23,423
		203,913	129,764
Current liabilities			
Creditors: amounts falling due within one year	18	(295,620)	(178,108)
Deferred and contingent consideration	20	(10,257)	(823)
Provisions for liabilities	21	(14,729)	(5,549)
		(116,693)	(54,716)
Net current liabilities			
		(116,693)	(54,716)
Total assets less current liabilities		193,623	167,727
Non-current liabilities			
Creditors: amounts falling due after more than one year	19	(92,873)	(92,873)
Deferred and contingent consideration	20	(15,276)	(6,889)
Provisions for liabilities	21	(7,922)	(21,302)
Deferred tax	23	(2,937)	(1,394)
		(118,998)	(122,458)
Net assets		74,615	45,269
Capital and reserves			
Called up share capital	24	-	-
Foreign exchange reserve	25	(431)	(431)
Profit and loss account	25	75,046	45,700
		74,615	45,269
Shareholders' Funds		74,615	45,269

¹ See note 26 for details regarding the restatement of historical other provisions.

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



Toby Woolrych
 Director
 23 August 2024

ONTIC ENGINEERING & MANUFACTURING UK LIMITED
REGISTERED NUMBER: 06707516

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Called up share capital	Foreign exchange reserve	Profit and loss account	Total equity
	\$000	\$000	\$000	\$000
At 1 January 2022 (restated)	-	(431)	69,246	68,815
Profit for the financial year and total comprehensive expense (restated)	-	-	(23,546)	(23,546)
At 31 December 2022 (restated)	-	(431)	45,700	45,269
Loss for the financial year and total comprehensive expense	-	-	29,346	29,346
At 31 December 2023	-	(431)	75,046	74,615

The notes on pages 22 to 45 form part of these financial statements.

¹ See note 26 for details regarding the restatement of historical other provisions.

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 the 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 2023 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 has a net current liability owed to the Group as at 31 December 2023. 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.

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

Going concern (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 2024 budget and long-term business plan;
- A scenario of a downside sensitised fall in revenues of 5% resulting from a decrease in sales; and
- Reduction of revenue by 10% with additional reduction of margins by 2% which is in excess of the Directors' realistic expectations.

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 \$85.0m, of which \$15.0m 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.

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.

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

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:

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.

ONTIC ENGINEERING & MANUFACTURING UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

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.

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.

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.

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.

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

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.

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.

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

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.

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 2023

2. Accounting policies (continued)

2.19 Climate-related risk

In preparing the Company's financial statements we considered the impact of both physical and transition climate change risks on the current valuation of our assets and liabilities. We do not believe that there is a material impact on the financial reporting judgements and estimates arising from our considerations and as a result the valuations of our assets or liabilities have not been significantly impacted by climate-related risks as at 31 December 2023.

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:-

Fair value accounting of acquisitions

A purchase price allocation exercise is performed for each business combination to establish the fair value of the assets and liabilities acquired. This exercise requires estimation of the future expected cashflows to be generated; these projections are made based on historical data provided by the vendor and informed by industry analysis on the expected build schedules and lives of the fleet.

The optional simplified concentration test allowed under IFRS 3 is applied in ascertaining whether a licence acquisition comprises a business or non-business acquisition. The fair value of the intangible required for this test is established based on future expected cashflows as described above.

For certain licence investments the Company acquires loss making OEM supply contracts where the unavoidable costs of meeting obligations under these contracts exceed the economic benefits expected to be received. These loss making contracts are identified during the due diligence process prior to the acquisition and are more than offset by profitable supply contracts acquired as part of the same licence investment, such that the investment is profitable to the Company overall. Acquiring these contracts is part of the Company's strategy.

On acquisition the Company recognises an onerous contract provision for the present value of the estimated expenditure to fulfil the contract on a direct cost basis less the corresponding revenue expected to be earned. These cash flow forecasts used to estimate the provision are based on the expected build schedules of the platforms. The forecast losses are extended for the full life of the programme or to an earlier date if a contractual obligation for the customer to renegotiate prices exists. The forecasts are subject to uncertainty and it is possible that actual outcomes differ materially from the projections used to calculate the provisions.

The present value of the provision has been calculated by applying the Company's weighted average borrowing rate as at the period end of 9.6% (2022: 8.7%). In setting this rate management concluded that the Company's credit risk is a relevant risk 'specific to the liability'. The cash flows related to the onerous contracts are subject to commercial negotiations and are dependent on the Company's ability or inability to negotiate prices upwards in future to a sustainable level. The Company operates in an industry where there are few potential suppliers and the security and sustainability of supply are key factors in pricing negotiations. The Company's credit risk is therefore a relevant factor to a counterparty in determining whether the Company is able to continue to successfully fulfil its obligations under the contracts at a loss.

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Fair value accounting of acquisitions (continued)

Applying the weighted average borrowing rate (as opposed to a risk free rate) ultimately results in a lower onerous contract provision balance than would otherwise be recognised. The disclosure is sensitive to changes in the discount rate applied, and recalculating using a US government bond rate of 4.2% would result in an increase in the provision balance of \$6,209k.

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. The inventory provisioning policy is informed by the RRS categorisations.

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.

4. Turnover

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

	2023	2022
	\$000	\$000
Sale of goods	128,133	94,429
Rendering of services	39,794	28,990
	167,927	123,419

Analysis of turnover by country of destination:

	2023	2022
	\$000	\$000
United Kingdom	51,375	37,074
Rest of Europe	21,415	18,713
Rest of World	95,137	67,632
	167,927	123,419

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

5. Operating profit

The operating profit is stated after charging:

		<i>Restated¹</i>
	2023	2022
	\$000	\$000
Depreciation of tangible fixed assets	2,208	1,799
Amortisation of intangible assets, including goodwill	18,389	14,912
Exchange differences	166	2,450
Staff costs	38,708	33,081
Operating lease rentals	508	533
	 	

¹See note 26 for details regarding the restatement of historical other provisions.

6. Auditor's remuneration

	2023	2022
	\$000	\$000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	325	241
	 	

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

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

7. Employees

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

	2023	2022
	\$000	\$000
Wages and salaries	32,912	28,110
Social security costs	4,258	3,724
Cost of defined contribution scheme	1,538	1,247
	38,708	33,081
	38,708	33,081

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

	2023	2022
	No.	No.
Production	353	297
Administration	167	156
	520	453
	520	453

8. Directors' remuneration

	2023	2022
	\$000	\$000
Directors' emoluments	750	620
Company contribution to defined contribution pension schemes	45	30
	795	650
	795	650

Remuneration disclosed above includes total emoluments of \$305k (2022: \$360k) attributable to the highest paid director for qualifying services provided to the Company.

During the year retirement benefits were accruing to 4 Directors (2022: 4 Directors) in respect of defined contribution pension schemes.

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

9. Interest receivable and similar income

	2023	<i>2022</i>
	\$000	<i>\$000</i>
Derivative financial instruments measured at fair value through profit or loss	2,904	575
Other external interest income	503	-
	3,407	<i>575</i>

10. Interest payable and similar expenses

	2023	<i>Restated¹</i> <i>2022</i>
	\$000	<i>\$000</i>
Interest on loans from group undertakings	9,258	9,043
Discounting – provisions	1,204	1,553
Discounting – deferred consideration	908	788
Other finance costs	10	397
Realised loss on derivatives	-	43,938
Loss on extinguishment	-	918
	11,380	<i>56,637</i>

¹ See note 26 for details regarding the restatement of historical other provisions.

The 'Realised loss on derivatives' and 'Loss on extinguishment' in the prior year 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 2022 at a loss of \$42.9m. The 'Loss on extinguishment' of \$0.9m 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.

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. Taxation

	2023	<i>Restated¹</i>
	\$000	2022
		\$000
Current tax		
Corporation tax (credit)/charge excluding below items:	2,537	(68)
Adjustments in respect of prior periods – current tax	3	(729)
	<hr/>	<hr/>
Total current tax	2,540	(797)
	<hr/>	<hr/>
Deferred tax		
Prior year adjustment	(716)	898
Origination and reversal of timing differences	5,256	(5,834)
	<hr/>	<hr/>
Total deferred tax (note 23)	4,540	(4,936)
	<hr/>	<hr/>
Total tax (credit)/expense for the year	7,080	(5,733)
	<hr/>	<hr/>

Factors affecting tax credit for the year

The tax assessed for the year is lower than (2022 - lower than) the standard rate of corporation tax in the UK of 25% (2022 -19%). The differences are explained below:

	2023	<i>Restated¹</i>
	\$000	2022
		\$000
Profit / (loss) before tax	36,426	(29,279)
	<hr/>	<hr/>
Profit / (loss) multiplied by standard rate of corporation tax in the UK of 23.5% (2022: 19.0%)	8,567	(5,563)
	<hr/>	<hr/>
Effects of:		
Expenses not deductible for tax purposes	1,152	426
Adjustments to tax charge in respect of prior periods	(713)	101
Difference in tax rates and impact of rate change	311	(1,294)
Group relief surrendered/(claimed)	(2,237)	597
	<hr/>	<hr/>
Total tax (credit)/expense for the year	7,080	(5,733)
	<hr/>	<hr/>

¹ See note 26 for details regarding the restatement of historical other provisions.

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. Taxation (continued)

Factors affecting current and future tax charge

The applicable tax rate of 23.5% (2022: 19.0%) represents a blend of the UK Corporation Tax rates applicable during the year which increased from 19% to 25% effective from 1 April 2023, as was published in the Finance Bill on 11 March 2021. The deferred tax balance as at 31 December 2023 has been calculated at 25% (2022: 25%).

12. Intangible assets

	Goodwill \$000	Licences \$000	Computer software \$000	Total \$000
Cost				
At 1 January 2023 (restated ¹)	29,726	254,286	9,841	293,853
Additions	-	101,401	788	102,189
Disposals	-	-	(683)	(683)
At 31 December 2023	<u>29,726</u>	<u>355,687</u>	<u>9,946</u>	<u>395,359</u>
Amortisation				
At 1 January 2023 (restated ¹)	21,168	68,777	2,800	92,745
Charge for the year	607	16,252	1,530	18,389
Disposals	-	-	(683)	(683)
At 31 December 2023	<u>21,775</u>	<u>85,029</u>	<u>3,647</u>	<u>110,451</u>
Net book value				
At 31 December 2023	<u>7,951</u>	<u>270,658</u>	<u>6,299</u>	<u>284,908</u>
At 31 December 2022 (restated ¹)	<u>8,558</u>	<u>185,509</u>	<u>7,041</u>	<u>201,108</u>

Included within the software balance as at 31 December 2023 is \$1,979k (2022: \$1,823k) of software under development.

¹ See note 26 for details regarding the restatement of historical other provisions.

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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
Cost or valuation						
At 1 January 2023	18,178	6,867	94	1,986	853	27,978
Additions	2,052	1,087	-	361	2,781	6,281
Disposals	-	(83)	-	(645)	-	(728)
Transfers	(13)	60	-	31	(78)	-
At 31 December 2023	20,217	7,931	94	1,733	3,556	33,531
Depreciation						
At 1 January 2023	5,321	3,512	90	774	-	9,697
Charge for the year	964	733	4	507	-	2,208
Disposals	-	(83)	-	(645)	-	(728)
At 31 December 2023	6,285	4,162	94	636	-	11,177
Net book value						
At 31 December 2023	13,932	3,769	-	1,097	3,556	22,354
At 31 December 2022	12,857	3,355	4	1,212	853	18,281

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

14. Investments in subsidiaries

	2023	<i>2022</i>
	\$000	<i>\$000</i>
Cost		
Investments in subsidiaries	3,054	<i>3,054</i>

As at 31 December 2023 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

	2023	<i>2022</i>
	\$000	<i>\$000</i>
Raw materials and consumables	68,126	<i>37,914</i>
Work in progress	12,398	<i>13,796</i>
Finished goods	4,076	<i>8,297</i>
	84,600	<i>60,007</i>

The inventory balance as at 31 December 2023 is net of the Company's excess and obsolete provisions balance of \$42,762k (2022: \$32,626k) 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 2023**

16. Debtors

	2023	<i>Restated¹</i> 2022
	\$000	\$000
Due after more than one year		
Deferred tax asset	4,099	7,096
Due within one year		
Trade debtors	33,914	22,388
Amounts owed by group undertakings	18,335	10,627
Other debtors	10,228	1,971
Derivatives	2,116	-
Prepayments and accrued income	4,960	4,252
	<hr/>	<hr/>
	69,553	39,238
	<hr/>	<hr/>
Total debtors	73,652	46,334

¹ See note 26 for details regarding the restatement of historical other provisions.

The amounts owed by group undertakings consist of normal intercompany trading balances with no interest and repayable on demand. Included within amounts owed by group undertakings is \$1,843k owed by subsidiaries (2022: \$2,563k), \$13,589k owed by fellow group undertakings (2022: \$5,370k) and \$2,903k by parent entities (2022: \$2,694k).

17. Cash at bank and in hand

	2023	2022
	\$000	\$000
Cash at bank and in hand	45,661	23,423

18. Creditors: Amounts falling due within one year

	2023	2022
	\$000	\$000
Amounts owed to group undertakings	226,846	142,209
Deferred income	29,136	5,461
Trade creditors	23,042	15,293
Accruals	12,111	13,737
Other creditors	1,762	573
Other taxation and social security	126	21
Corporation tax liability	2,597	25
Derivatives	-	789
	<hr/>	<hr/>
	295,620	178,108
	<hr/>	<hr/>

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

18. Creditors: Amounts falling due within one year (continued)

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 \$15k owed to subsidiaries (2022: \$894k), \$145,913k owed to fellow group undertakings (2022: \$60,534k) and \$16k to parent entities (2022: \$80,780k).

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

	2023	<i>2022</i>
	\$000	<i>\$000</i>
Amounts owed to group undertakings	92,873	<i>92,873</i>
	<hr/>	<hr/>
	92,873	<i>92,873</i>
	<hr/>	<hr/>

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

The amounts owed to group undertakings consist of a \$91,324k 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 rolled up into the loan balance and hence becomes subject to further interest.

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

20. Deferred and contingent consideration

	2023	2022
	\$000	\$000
Amounts due within one year		
Deferred consideration	7,978	522
Contingent consideration	2,279	301
	10,257	823
	10,257	823
		<i>Restated¹</i>
	2023	2022
	\$000	\$000
Amounts due greater than one year		
Contingent consideration	9,546	6,889
Deferred consideration	5,730	-
	15,276	6,889
	15,276	6,889
		2023
		\$000
As at 1 January		7,712
Charged		35,810
Utilised		(18,882)
Unwind of discounting		893
As at 31 December		25,533

¹ See note 26 for details regarding the restatement of historical other provisions.

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

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

21. Provisions for liabilities

	Warranty	Other	Total
	\$000	\$000	\$000
At 1 January 2023 (restated ¹)	1,725	25,126	26,851
Charged to profit and loss account	352	-	352
Additions – asset acquisitions	1,500	5,149	6,649
Released unused	-	(9,043)	(9,043)
Utilisation of provision	(360)	(3,396)	(3,756)
Discounting	-	1,598	1,598
	<hr/>	<hr/>	<hr/>
At 31 December 2023	3,217	19,434	22,651
	<hr/>	<hr/>	<hr/>
Analysed as:		<i>Restated¹</i>	
		2023	2022
		\$000	\$000
Current liabilities		14,729	5,549
Non-current liabilities		7,922	21,302
		<hr/>	<hr/>
		22,651	26,851
		<hr/>	<hr/>

¹ See note 26 for details regarding the restatement of historical other provisions.

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 3 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 2023**

22. Financial instruments

	2023	2022
	\$000	\$000
Financial assets		
Financial assets measured at amortised cost	54,111	34,285
Financial assets measured at fair value through profit or loss	2,116	-
Cash at bank measured at amortised cost	45,661	23,423
	101,888	57,708
		<i>Restated¹</i>
	2023	2022
	\$000	\$000
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	(25,533)	(8,501)
Financial liabilities measured at amortised cost	(377,779)	(290,482)
	(403,312)	(298,983)

¹ See note 26 for details regarding the restatement of historical other provisions.

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.

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.

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

23. Deferred taxation

	2023
	\$000
At beginning of year (restated ¹)	5,702
Charged to profit or loss	(4,540)
	1,162
At end of year	1,162

The provision for deferred taxation is made up as follows:

	2023	<i>Restated¹</i> 2022
	\$000	<i>\$000</i>
Accelerated capital allowances	(2,937)	(1,394)
Tax losses	4,099	7,096
	1,162	5,702
	1,162	5,702
	2023	<i>Restated¹</i> 2022
	\$000	<i>\$000</i>
Comprising:		
Asset - due after one year	4,099	7,096
Liability	(2,937)	(1,394)
	1,162	5,702
	1,162	5,702

¹See note 26 for details regarding the restatement of historical other provisions.

The Company is expected to generate sufficient future profits in order to support the deferred tax assets recognised. There is no expiry date on timing differences, unused tax losses or tax credits.

The entire deferred tax asset is expected to be utilised in the 12 month period to 31 December 2024.

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

24. Share capital

	2023	<i>2022</i>
	\$000	<i>\$000</i>
Authorised, allotted, called up and fully paid		
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.

26. Restatement of historical other provisions

During 2023 the Company revised its methodology relating to the discount rate applied to other provisions, changing from the Company's WACC to the Company's weighted average borrowing rate (refer to note 1). This aligns the Company's methodology with available guidance on the application of discount rates. Section 10 of FRS 102 requires this change to be disclosed as an error rather than a current year remeasurement event and therefore historical balances have been restated to reflect the retrospective application of this change.

The affected provisions were acquired by the Company as part of licence investments in the period 2021 to 2022. When applying the restatement to a historical business combination made in 2021 management reconsidered the appropriateness of historical cash flow assumptions made at the time and concluded that they were also inappropriate. This resulted in a \$13,784k uplift to intangible assets being recognised as an other intangible asset which would have otherwise been recognised as goodwill, with a \$1,041k consequent effect on contingent consideration.

As set out below, the overall impact of the change is to record a \$10,370k increase in net assets as at 31 December 2022 (2021: \$219k increase). The rising rate environment during 2022 resulted in a net credit to the consolidated income statement which decreased the net loss for the year by \$10,150k.

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

26. Restatement of historical other provisions (continued)

	2022	Increase/ decrease	Restated 2022
	\$000	\$000	\$000
Statement of profit or loss and comprehensive income (extract)			
Administrative expenses	(55,668)	14,778	(40,890)
Operating profit / (loss)	12,005	14,778	26,783
Interest payable	(55,704)	(933)	(56,637)
Profit / (loss) before tax	(43,124)	13,845	(29,279)
Tax credit / (expense)	9,428	(3,695)	5,733
Profit / (Loss) for the financial year	(33,696)	10,150	(23,546)

	2022 \$000	Increase/ decrease \$000	Restated 2022 \$000	2021 \$000	Increase/ decrease \$000	Restated 2021 \$000
Balance sheet (extract)						
Intangible assets	183,712	17,396	201,108	137,823	14,653	152,476
Debtors	50,029	(3,695)	46,334	43,149	-	43,149
Provisions for liabilities (current)	(5,304)	(245)	(5,549)	(6,714)	(39)	(6,753)
Deferred and contingent consideration	(5,848)	(1,041)	(6,889)	(5,291)	(1,041)	(6,332)
Provisions for liabilities (non-current)	(19,257)	(2,045)	(21,302)	(10,610)	(13,353)	(23,963)
Net assets	34,899	10,370	45,269	68,595	220	68,815
Profit and loss account	35,330	10,370	45,700	69,026	220	69,246
Total equity	34,899	10,370	45,269	68,595	220	68,815

27. Pension commitments

The Company operates a stakeholder pension contribution scheme for which the pension cost charge for the year amounted to \$3,039k (2022: \$1,247k). There is a \$338k outstanding contribution as at the balance sheet date (2022: \$197k).

ONTIC ENGINEERING & MANUFACTURING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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28. Financial commitments

At 31 December 2023 the Company had the following capital commitments:

	2023	2022
	\$000	\$000
Contracts for future capital expenditure not provided in the financial statements		
Property, plant and equipment	4,624	846
	<hr/>	<hr/>

At 31 December 2023 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2023	2022
	\$000	\$000
Not later than 1 year	446	467
Later than 1 year and not later than 5 years	1,700	1,713
Later than 5 years	2,378	2,816
	<hr/>	<hr/>
	4,524	4,996
	<hr/>	<hr/>

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 2nd 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 April 2024 the Board of Bleriot Topco (an indirect parent of the Company) signed an agreement for the proposed sale of the shares in Bleriot Topco Limited to a new UK Holding company. CVC will remain the majority shareholder of the Ontic Group. Completion of the proposed transaction is subject to receipt of regulatory clearances and is expected to take place in H2 2024.

In May 2024 a fellow subsidiary of the company's ultimate parent refinanced the Group's external debt. The transaction extended the term of the loan from October 2028 to October 2030 and reduced the interest rate payable by 200 bps.

In June 2024 the company invested in licence agreements to acquire the rights to new hydraulics and flight control actuator product lines from one of its key existing OEM partners for initial consideration of \$33,100k.