

**AI Convoy (Luxembourg) S.à r.l.**

**Société à responsabilité limitée**

**Consolidated Financial Statements, Management Report  
and Report of the Réviseur d'Entreprises Agréé**

**For the year ended 31 December 2023**

**2-4 rue Beck**

**L-1222 Luxembourg (Lëtzebuerg)**

**Luxembourg**

**R.C.S. Luxembourg: B 236 989**

**AI Convoy (Luxembourg) S.à r.l.  
Consolidated Management Report**

<b>Consolidated Management Report</b>	<b>2</b>
<b>Independent Auditor's Report</b>	<b>14</b>
<b>Consolidated Financial Statements</b>	<b>17</b>

## **AI Convoy (Luxembourg) S.à r.l.**

### **Consolidated Management Report**

#### **Group Overview and Management Structure**

##### **History and ownership structure**

Cobham was founded in 1934 by Sir Alan Cobham, becoming a public company in 1955. On 11 August 2019, Cobham's board of directors unanimously recommended an offer by AI Convoy Bidco Limited, a company incorporated in England and Wales and controlled by funds managed by Advent International Corporation (Advent International) to acquire Cobham plc (the Acquisition). This offer was subsequently approved by Cobham plc's shareholders, with 93 per cent of shareholders in favour.

Following the Acquisition, an internal reorganisation was carried out to ensure that each Cobham business unit was empowered to operate effectively on a more independent basis so as to drive focus and allow for decision making as close to the customer as possible. AI Convoy (Luxembourg) S.à r.l., a société à responsabilité limitée incorporated in Luxembourg with a registered office address at 2-4 rue Beck L-1222 Luxembourg (the Company), became the indirect parent of AI Convoy Bidco Limited and now owns all of the former Cobham plc business units (in this report the Company and all of its direct and indirect subsidiaries are together referred to as the Group).

This report includes the consolidated financial statements of the Group for the year ended 31 December 2023.

##### **Background on Advent International**

Founded in 1984, Advent International is one of the largest and most experienced global private equity firms. With offices on four continents, it has a globally integrated team of 258 investment professionals, focused on buyouts and growth equity investments in five core sectors. Since initiating its private equity strategy in 1989, Advent International has invested \$72bn in over 400 private equity investments across 43 countries and, as at 30 September 2023, managed \$88bn in assets. The Advent International fund investing in Cobham is Advent International GPE IX.

During the acquisition of the Cobham Group, entities controlled by funds managed by Advent International made certain undertakings to regulatory authorities in the UK, France and Australia and continue to ensure full compliance with these commitments.

## Managers

The composition of the Company's Managers is as follows:

Board Member	Represents	Background
Frank Leccese (Manager/Director)	Advent International Advent International title: Tax Director, based in Boston, United States	Frank Leccese joined Advent in 2003 and is a Director in Advent's Global tax function. He is responsible for many aspects of tax planning and compliance or Advent investments and fund structures. Prior to joining Advent, he worked in the Boston office of Ernst & Young, providing tax services to many large venture capital and private equity firms.  Frank holds a B.S. in Accountancy and M.S. in Taxation from Bentley University. Other than directorships of direct and indirect affiliates of the Company, he has no other directorships.
Don Whitt (Manager/Director)	Advent International Advent International title: Vice President of Global Tax, based in Boston, United States	Don joined Advent International in 2019 and is responsible for the firm's global tax function. Don has over 25 years of international tax experience both in-house and in public accounting. Don previously held tax leadership roles at Micron Technology Inc. and in the tax planning group at Pfizer. Don holds a B.A. in Economics, M.S. in Taxation, and a J.D. from the University of Toledo and is a CPA.  Other than directorships of direct and indirect affiliates of the Company, he has no other directorships.

The Company's indirect wholly-owned subsidiary, Cobham Limited, is the owner of all of the Group's operations other than those based in the USA. Its board of directors as of the date of this document comprises Shonnel Malani and Michael Marshall (who are representatives of Advent International), Gregory Bagwell and Sven Lewis (who are executive directors) and Martin Clements (who is an independent non-executive director).

### Compliance statement

The Managers consider the annual report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity (the Walker Guidelines).

### Overview of the Company's business model

The Group offers an innovative range of products and services to solve challenging problems in defence, aerospace and space markets with an emphasis on keeping people alive and assets safe in harsh or remote environments.

The ongoing Group employs over 3,300 people and has customers and partners in over 70 countries, with principal operations in the USA, France and Denmark as well as a head office function in the UK. Cobham has specialist capabilities and know-how in: audio; video and data communications, including satellite communications; and defence electronics.

During the year, Cobham operated across two sectors, each with differentiated capabilities and many leading market positions. Two of these (CAES (formerly known as Advanced Electronic Solutions), and Communications and Connectivity) design, manufacture and test intelligent hardware, primarily subsystems, with expertise in components. The Communications and Connectivity business can be further subdivided into Aerospace Communications and SATCOM.

## **AI Convoy (Luxembourg) S.à r.l.**

During the year, there were a number of corporate transactions by the Group.

On 9 January 2023, CAES divested its Space business to Veritas Capital.

On 3 March 2023, CAES Systems Holdings LLC signed a definitive agreement with Ultra Electronics Defense, Inc. to acquire Herley Industries LLC and its subsidiary, Herley - CTI LLC (Herley). Herley produces microwave technology and related products for radars, weapon sensors, flight instrumentation and electronic warfare systems in support of defense and aerospace industry clients. The transaction completed on 3 March 2023.

On 5 December 2023 the group entered into a share sale and purchase agreement with Thales in relation to the sale of the Cobham Aerospace Communications business. The sale was completed on 2 April 2024.

The senior management of each of the ongoing businesses has full responsibility for its own strategy, and financial and operational performance.

These businesses are supported by a lean corporate centre with responsibility for specialist Group Finance, Treasury, Tax and Legal matters.

## **Development and Performance of the Business**

### **Our strategy**

The Group comprises a portfolio of highly strategic Aerospace & Defense businesses. Its reputation for pioneering solutions and innovative technologies makes Cobham the partner of choice in solving its customers' most challenging problems.

Following the acquisition by Advent International and the renewed focus on the individual businesses within the Group, our strategy continues to focus on how best to position each business to compete for greater market share whilst considering the views of key stakeholders including our shareholders, customers, suppliers, employees and local government or regulatory authorities in the jurisdictions we operate in. The Group remains committed to research and development by investing in both new products and enhancements to the current product base, to allow the Group to build positions where it has technical differentiation.

Cobham takes a strategic approach to corporate responsibility and sustainability, recognising that long-term success is not just about generating shareholder value but also about creating value for all the Group's stakeholders. Managing external impacts, capitalising on opportunities and conducting business in a responsible and sustainable way helps mitigate the Group principal risks and strengthen business relationships. Many of Cobham's products and services provide important environmental and social benefits. This may be through enhancing aviator survival, minimising environmental impact or providing reliable communications in challenging environments. The decisions and behaviours demonstrated by acting ethically, managing impacts, implementing innovative solutions and engendering positive business relationships also promote and enhance our culture and reputation.

## Business review and key performance indicators

### Key Performance Indicators

The following financial key performance indicators ('KPIs') are used to measure the Group's performance:

#### Statutory:

\$m	2023	2022
Revenue	927	874**
EBITDA *	128	87**
Operating cash	168	199
Employee numbers (number at year end)	2,665	3,076**

\* EBITDA on a Statutory basis may differ from EBITDA measures calculated using other bases, such as in financing agreements. EBITDA on a Statutory basis includes the results of divested businesses not classified as Discontinued Operations and excludes results from Discontinued Operations, namely the CAES Space and Aerospace Communications businesses in 2023; and the CAVS Australia, CAES Space and Aerospace Communications businesses in 2022.

\*\* Restated to reflect the change in presentation of discontinued operations on a basis consistent with the current year as set out in Note 1 (Accounting policies).

The Company's Managers assess the Group's performance from one period to the next by reviewing performance on an underlying performance basis, primarily by reviewing the revenue, EBITDA before one-off costs ("EBITDA BOO") and operating cash before one-off cost ("Operating cash BOO") of the ongoing business perimeter, i.e. those businesses which have not been divested and from which cash will be generated on an ongoing basis plus businesses where an agreement to sell the business has been signed but where the divestments has not yet completed. EBITDA BOO and Operating Cash BOO are non-GAAP measures and are not defined terms under IFRS. However, as a debt-financed Group, the EBITDA BOO and Operating Cash BOO measures are relevant under the Senior Facilities Agreement which provides the contractual framework for the Group's external 1st Lien USD and 1st Lien EUR borrowings (see Note 14). These underlying performance measures are therefore presented below as they provide additional useful information on how the Company's Managers assess the underlying performance and position of the continuing business.

#### Underlying performance<sup>1</sup>:

\$m	2023	2022
Revenue <sup>2</sup>	1,144	1,119
EBITDA BOO <sup>3</sup>	250	233
Operating cash BOO <sup>4</sup>	135	99
Employee numbers (number at year end) <sup>5</sup>	3,371	4,029

1. These numbers include the Communications and Connectivity business, CAES RF and Centralised IT, Head office and other activities ("the Underlying businesses").

2. Underlying revenue comprises revenue from continuing operations of \$927m plus revenue from Aerospace Communications of \$204m and historical (pre-acquisition) revenue of \$13m from Herley Industries LLC. (2022: revenue of \$874m from continuing operations, less \$10m related to business divested, plus revenue from Aerospace Communications of \$163m and historical (pre-acquisition) revenue of \$92m from Herley Industries LLC.

3. EBITDA BOO comprises EBITDA from continuing operations of \$128m plus Aerospace Communications \$70m and historical (pre-acquisition) EBITDA of Herley Industries LLC \$3m, and adding back net one-off costs and other items such as gains and losses on derivatives of \$49m (2022: EBITDA from continuing operations of \$87m plus Aerospace Communications \$35m and historical (pre-acquisition) EBITDA of Herley Industries LLC \$23m and adding back net one-off costs and other items such as gains and losses on derivatives of \$88m).

4. Operating cash BOO in 2023 and 2022 comprises EBITDA BOO adjusted for capital expenditure, net working capital and provisions movements for the Underlying businesses and includes historical (pre-acquisition) Operating cash BOO of Herley Industries LLC.

5. Employee numbers comprise employee numbers from continuing operations plus Aerospace Communications and Herley Industries LLC as at 31 December 2023 and 2022.

## **AI Convoy (Luxembourg) S.à r.l.**

EBITDA BOO and one-off items may not be comparable to similarly titled measures used by other companies. In determining whether an event or transaction is one-off in nature, management considers quantitative as well as qualitative factors. Examples of one-off charges or credits which are excluded in arriving at EBITDA BOO in the current and/or prior years include fees and charges related to M&A activities, non-recurring investment and restructuring costs, profits and losses on disposal of freehold properties. Events and transactions that meet the criteria, which are applied consistently from year to year, are treated as one-off items and excluded from EBITDA BOO and Operating cash BOO.

Given the diverse nature of the separate businesses and the different regulatory and business environments each operates in there are no meaningful non-financial KPIs which can be used to further assess the Group's performance. Non-financial KPIs are therefore not used by management at a Group level in order to understand the development, performance or position of the business although a range of metrics are used within each of the Group's businesses as appropriate.

### ***Revenue & EBITDA***

Revenue of \$927m (2022 re-presented: \$874m) was generated by the Group. This excludes revenue generated by the CAES Space and Aerospace Communications businesses in 2023 (Aviation Services Australia and CAES Space businesses in 2022) which were classified as discontinued operations. On a 'like for like' basis, i.e. excluding all divested businesses (including the Microwave business in 2022), revenue for the ongoing business grew by 2.2% in 2023 to \$1,144m.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) was \$128m (2022 re-presented: \$87m) for the year. EBITDA on a statutory basis is net of significant one-off costs in the operating businesses to increase future profitability. On an underlying performance basis EBITDA BOO increased from \$233m in 2022 to \$250m in 2023, with growth across the Group partially offset by the impact of the timing of material contract negotiations in the CAES business. These challenges were the result of a shortage in the supply of key electronic components in the year – management considers these shortages to be relatively short-term in nature.

EBITDA in these financial statements may differ from EBITDA measures calculated using other bases, such as in financing agreements.

### ***Research and development and Capital Investment***

The Group is committed to research and development by investing both in new products and enhancements to the current product base, to allow the Group to build positions where it has technical differentiation. During the year it has invested \$64m (2022: \$53m) in company funded research and development activities. Total R&D spend over 2023 and 2022 was in excess of amounts required under commitments given to the UK government. In addition, significant additional non-company funded research and development spending was undertaken across the group to ensure a bright future for the group across its wide range of highly advanced products. All company funded research and development expenditure is written off as it is incurred unless and until the conditions for capitalisation are met. \$20m (2022: \$29m) was capitalised during the year.

The group also invested \$24m (2022: \$25m excluding divested businesses) in physical and software assets for the long-term benefit of the group.

### ***Net debt***

During 2023, \$579.1m of 1st lien US\$ borrowings and \$19.3m of 2nd lien US\$ borrowings were repaid following the divestment of the CAES Space business and a further \$1.6m of 1st lien US\$ borrowings was repaid in accordance with the Group's financing agreements.

During the year the Group received an interest-bearing loan of \$70m from the shareholders of AI Convoy (Luxembourg) Holdings S.a.r.l, a parent undertaking.

Revolving credit facilities ("RCF") were utilised at various times during the year to fund the ongoing working capital needs of the Group's businesses. During the year ended 31 December 2023, there were several drawdowns totalling \$445.9m (comprising €331.2m in Euros, equivalent to \$358.4m and \$87.5m in US Dollars) and repayments totalling

## **AI Convoy (Luxembourg) S.à r.l.**

\$119.1m (comprising €91.5m in Euros, equivalent to \$99.1m and \$20.0m in US Dollars). At 31 December 2023, the total drawn down under the facility comprised €239.7m in Euros, equivalent to \$264.7m; and \$67.5m in US Dollars.

Cash held at 31 December 2023 amounted to \$173m (2022: \$233m) net of overdrafts. Additional liquidity of \$18m was available to the Group under revolving credit facilities.

Net debt at 31 December 2023 was \$1,875m (2022: \$1,986m), consisting of first and second lien term loans of \$1,571m (2021: \$2,130m), drawdowns under the revolving credit facility \$332m (2022: \$Nil), an interest-bearing loan of \$70m (2022: \$Nil) from the shareholders of a parent undertaking, lease obligations of \$75m (2022: \$89m), partly offset by cash of \$173m (2022: \$233m).

## **Acquisitions during the year**

On 3 March 2023, the Group acquired 100% of the voting shares of Herley Industries LLC, a company based in the USA, which designs and manufactures RF assemblies and RF telemetry products. The cash consideration was \$254m and resulted in goodwill arising from the acquisition of \$74m. Herley Industries LLC was acquired on an arm's-length basis from a Group company under common control. Herley Industries LLC changed its name to CAES Mission Systems LLC on 1 January 2024.

## **Divestments during the year**

On 9 January 2023 the Group completed the divestment of the CAES Space business which was sold for \$1,663m. This business was treated as held for sale at 31 December 2022.

## **Retirement benefit pension schemes**

During the year the Cobham Executive Pension Plan and the FRA Services Pension Plan were bought out by an insurance company and have therefore been derecognised in these financial statements. As a result the only remaining defined benefit scheme is the Cobham Pension Plan, reporting a net surplus on the Balance Sheet of \$21m at 31 December 2023 (2022: \$31m).

## **Equity**

No share capital was issued during the year. There were \$56m Equity Preferred Certificates remaining in Total Equity at 31 December 2023 and at 31 December 2022.

Dividends of \$1,144m (\$762.75 per share) were paid during the year ending 31 December 2023. There were no dividends paid or proposed during the previous year ending 31 December 2022.

## **Events after the balance sheet date**

On 2 April 2024 the Aerospace Communications business, part of the Communications and Connectivity Sector, was sold to the Thales Group for \$1.1bn.

## **Future developments**

Cobham's differentiated technology is installed in many of the leading defence platforms that are expected to be in operation for several decades, underpinning our core business. We are well-positioned in high-growth niches within our end-markets, with exposure to areas such as defence electronics and new space. These areas are experiencing increased investment providing a wide array of new business opportunities for Cobham. We also expect to continue to benefit from a recovery in the commercial aerospace industry as passengers return to flying post-COVID-19, and from the continuing growth in markets for satellite communications products and the emergence of low earth orbit satellite networks.



## Principal risks and uncertainties

The Managers continually identify, evaluate and manage material risks and uncertainties faced by the Group which could adversely affect the business, operating results and financial position. The Managers consider the principal risks and uncertainties facing the business to comprise the following:

### ***Continuity of operations***

Disruptions of operations at the Group's key operational centres due to disasters or other business continuity events could impact the ability to meet production requirements and a failure to recover from such an event could have a material adverse impact on the business. To mitigate this, risk management and recovery plans are in place at all operational centres. Robust supply chains are maintained and supplier risk proactively managed. In addition, the Group has a strong IT infrastructure and cyber security programme to ensure systems remain secure and operational.

### ***Product risk***

Actual, possible or perceived defects, failures or quality issues associated with the Group's products could lead to significant re-work and litigation including product liability claims or negative publicity that could materially adversely impact the Group's reputation, financial position and results.

The Group has a number of mitigating actions in place including product and control processes, a strong programme office for product development, supplier quality reviews and proactive customer relationship management. In addition, the Group invests materially in market leading research and development to ensure its technologies and products meet customer requirements and specifications. The Group's recruitment and retention policies also ensure high quality teams globally with appropriate depth of skills to support products over the long term.

### ***Financial charges***

As in any business, possible financial charges against the Group such as tax claims, pension deficits, litigation or foreign exchange variations could result in a material impact on financial results.

The Group has financial policies and management that aim to ensure the financial health of the business. These include rigorous reviews of all positions on a frequent basis coupled with immediate appropriate action to remediate as appropriate. Specific programmes include foreign exchange hedging, proactive management of any pension deficit, constructive engagement with tax authorities where required and disciplined cash management of both suppliers and receivables.

## Financial risk management

The Group's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk, interest rate, cash flow risk and foreign currency exchange rate risk.

The Group has a written treasury policy and risk management programme that strives to limit the adverse effects on the financial performance of the Group. This includes the use of foreign currency financial instruments, debt and other instruments. The Group does not trade in financial instruments.

### ***Credit risk***

The Group has implemented policies that require appropriate credit checks on potential customers before contracts are signed and sales are made. The businesses also monitor existing customer accounts on an ongoing basis and take appropriate action where necessary to minimise any potential credit risk. Cash and bank balances are held with banks that have been assigned satisfactory credit ratings by international credit rating agencies.

### ***Liquidity risk***

The Group retains sufficient cash to ensure it has available funds for operations and planned expansions and has access to revolving credit facilities under a Group banking arrangement as required.

***Interest rate cash flow risk***

The Group has both interest-bearing assets and interest-bearing liabilities. Interest bearing assets include cash and bank balances and other receivables which all earn interest at a floating rate. The Group also has various borrowings with a range of maturities at both fixed and floating rates of interest. The Group monitors its exposure to movements in interest rates to bring greater stability and certainty to its borrowing costs, with the policy being to assess the proportion of borrowings that are fixed and floating in the context of prevailing market conditions. The Group is also exposed to variable interest rates through its participation in the Cobham defined benefit pension scheme. Cobham does not currently use derivative financial instruments to manage interest rate costs.

***Foreign currency exchange rate risk***

The Group's aim is to reduce, or eliminate, whenever practical, foreign exchange transaction risk. The US dollar/sterling and the US dollar/euro exchange rates are the most significant exposures, together with a number of other, smaller foreign exchange transaction exposures. All foreign exchange hedging transactions are approved under delegated authority from the Managers. A number of financial instruments, such as forward rate contracts, are used to manage transactional foreign exchange exposure. Each business assesses its transactional exposure and hedges forecast exposures where appropriate up to 100% for a period of up to 12 months. Firm exposures on long term contracts would normally be fully hedged.

***Price risk***

The Group has no exposure to equity securities price risks as it holds no listed equity investments.

**Going concern**

The Group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Management Report. In addition, notes 1, 10, 18 and 20 to the Group Financial Statements include the Group's objectives, policies and processes for managing its capital, financial risk management, details of financial instruments and hedging activities, and its exposure to credit liquidity and other risks.

In applying the going concern basis, the Managers have considered the Group cash flow projections and assessed the robustness of the forecast through sensitivities around the key assumptions, in particular revenue growth rate, gross margin, capital expenditures and cash conversion. At the year end, the Group has considerable financial resources with liquidity available on the Balance Sheet from its cash resources, with \$173m cash balances net of overdrafts. The Group also has unused credit facilities of \$18m and its debt repayment profile is heavily biased to the medium term as set out in note 14.

There is a springing financial covenant applicable to the RCF that is tested quarterly, subject to certain conditions, if the facility, net of cash balances, is over 40% drawn. The covenant requires that the leverage ratio of senior secured net debt to EBITDA of the Group does not exceed 7.6:1.

The Group has a mix of shorter and longer-term contracts and a number of leading market positions with customers across different geographical areas. As a consequence, the Managers believe that the Group is ordinarily well placed to manage its business risks successfully.

The Managers have reviewed detailed cash flow projections to the end of December 2023 and have applied stress tests on its cash position. These include a severe but plausible downside scenario which assumes forecast net cash inflows from business operations are reduced by 25% for the entire forecast period. In this scenario the Managers have confirmed that the Group would be able to operate and service the senior debt within the level of its currently available funding over the next 12 months without breaching the covenants in place.

Accordingly, after making enquiries, the Managers have concluded at the time of approving the financial statements that it is their expectation that the Company and the Group as a whole have adequate financial resources to continue

## AI Convoy (Luxembourg) S.à r.l.

in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group Financial Statements.

### Employees

Cobham strives at all times to be an attractive, exciting and efficient workplace, where earnings continuously contribute to maintaining and developing a healthy business. Cobham's most important asset in achieving this goal is throughout skilled and well-trained employees who have the will and ability to take responsibility and create results.

### **Recruitment**

Cobham aims to be an attractive workplace that offers challenging jobs and great opportunities for advancement. Through this, Cobham can attract and retain skilled employees. As part of our interview process, we assess candidates' abilities, which can also include technical or competency based assessment. Commitment to diversity and inclusion is demonstrated throughout Cobham recruitment practices.

### **Diversity, Inclusion and Anti-Discrimination**

Cobham upholds the core tenets of equality and fairness and strives to reduce conscious and unconscious bias or discrimination in the recruitment, development, reward and promotion of employees. Organisational commitments to inclusion have been agreed and shared with employees, and surveys undertaken as to whether our employees consider Cobham an inclusive workplace. Cobham is committed to developing an inclusive workplace where employee differences are valued, enabling everyone to contribute fully.

The Group adopts diversity and inclusion and anti-discrimination policies to provide equal opportunity in employment, development and advancement for all qualified persons without regard to age, ancestry, sex/gender (including gender identity, gender expression, pregnancy, childbirth and related medical conditions), ethnicity, marital status, registered domestic partner status, medical condition, genetic characteristics, national origin, physical or mental disability, race, religion, sexual orientation, military or veteran status, or any other classification or characteristics protected by applicable law. Appropriate disciplinary action, up to and including termination of employment, may be taken against any employee violating Group policies in this regard.

The Group gender diversity statistics for the reporting period are set out in the table below.<sup>1</sup>

	Male	Female
Managers (Board of Directors)	2	-
Senior Managers <sup>2</sup>	74	22
Other Employees	2,144	1,131
<b>Total</b>	<b>2,220</b>	<b>1,153</b>

### **Health and Safety**

Cobham is committed to creating a zero harm workplace for employees, contractors and visitors and enhancing the physical and mental wellbeing of our staff. The responsibility falls with the management team of each business unit for

<sup>1</sup> Notes: (a) These data are for the entire group as at 31 December 2023. These figures do not include the gender diversity statistics for the CAES Space business as that was divested during 2023. There were no employees who did not identify either as female or male, or who declined to provide information regarding their gender.

<sup>2</sup> Note. Senior Managers have been defined as Vice Presidents and above, responsible for planning, directing or controlling corporate activities.

## **AI Convoy (Luxembourg) S.à r.l.**

the implementation of local health and safety policies and demonstrating compliance with all legal and corporate requirements.

The Group adopts policies and practices for the purpose of reducing the likelihood of unintentional or latent errors that may be caused due to human limitations or human factors including, but not limited to, work limits, breaks from work and travel from work.

Cobham's safety, health & environment (SHE) policy is to create and embrace a safe, healthy and environmentally aware culture and framework that actively promotes employee engagement at all levels. The SHE policy addresses this by: (i) striving for Zero Harm i.e. reducing the risk of accidents, injuries, ill-health and environmental impacts arising from its operations, activities, products and services, wherever practicable; (ii) enhancing the well-being of its people and local communities; and (iii) complying with all applicable SHE legislation as a basic minimum.

To achieve the aims of the SHE policy, the Group will:

- demonstrate visible leadership and management commitment to the importance of SHE as a core value;
- ensure SHE focus is embedded in the Corporate culture as part of our company values;
- provide effective SHE planning processes that are integrated with all other business strategy planning and decision-making practices;
- identify, assess, eliminate or mitigate all significant risks associated with SHE hazards in the Group's operations, activities, products and services;
- communicate SHE expectations, risks and performance to all stakeholders in an appropriate, effective and timely manner, including active engagement with contractors, suppliers and business partners, so that they understand and respect the Company's SHE policies and standards;
- undertake root cause analyses of all significant accidents and high potential incidents, with lessons learnt shared, where appropriate;
- equip its people with the necessary experience, skills and training to achieve the required level of SHE competency and leadership, as it relates to their work activities; and
- ensure effective preparation for SHE emergencies that could impact the group's people, operations, products and services.

Legal requirements and government guidance are considered across the Group on a continual basis and influence the implementation and, where appropriate, modification or relaxation, of such policies.

### ***Employee Consultation and Involvement with Management***

Cobham utilises employee committees and representative groups (ERGs) within the business units, whose purpose is to promote and maintain good employee relations between the organisation and its employees. The ERGs create an area where issues can be examined and discussed through a genuine exchange of views to identify joint solutions of mutual concern and share business performance and operational issues. The ERGs are utilised to gain opinions on proposed changes to the business and allows the members to speak on behalf of the employees. The intention of the ERGs is to ensure that employees become part of the "team" in assisting with impactful business decisions.

Consultation is further embedded at a local level through Enterprise Agreements, Awards and engagement with Work Councils or Workers' Committees.

The CEO and senior management teams of each business unit also host regular "town hall" discussions where all employees can submit questions to be discussed openly within a collaborative and public forum.

### ***Performance Development, Training and Management Reviews***

Mandatory training is allocated to new employees, including but not limited to Ethics and Compliance, IT Security, Business Unit Policies, Product Safety and Human Factors. Employees are continually issued with refresher training

## **AI Convoy (Luxembourg) S.à r.l.**

alongside job specific training. Additional training courses are accessible on a voluntary basis for employees to enrol into if they desire.

Employees participate in Performance Development Reviews (PDR), setting clear goals and objectives and a personalised development plan to support aspirations. The PDR is a process for setting "stretch goals" and development goals, which are evaluated and adjusted according to circumstances ongoing throughout the year. The responsibility falls with the management team of each business unit for undertaking employee PDRs and performance evaluation exercises. Discretionary employee annual bonuses are linked to the outcomes of such performance evaluations (see *Employee Benefits*, below).

Regular "one-to-ones" are used throughout the year to record discussions between employees and their managers, facilitating regular feedback about performance. This allows development areas to be identified, success to be recognised and career progression routes to be put in place. Performance improvement plans are implemented for instances of lower than expected performance, allowing appropriate targets and timescales of improvements to be discussed. This allows individuals the opportunity to improve their performance and gain support where required.

### ***Employee Benefits and Annual Incentive Programme***

All benefits specific to job roles are included within employee contracts of employment and vary within each business unit. Benefits can include: an Annual Incentive Plan; contributions to post-retirement plans; Private Medical Insurance and company car allowances.

Employees are eligible to participate in Cobham's discretionary Annual Incentive Plan, designed to encourage specific results-oriented actions on the part of employees and to recognize and reward positive results. Results are measured against a predetermined combination of business performance targets and individual performance objectives. Therefore, the higher the level of achievement, the greater the opportunity for financial reward to participants. Personal objectives are agreed with management as part of the performance review process (see *Performance Development, Training and Management Review*, above).

Business units also offer flexible benefits schemes where employees can choose certain additional benefits.

### **Social, community and human rights**

Cobham is committed to acting with honesty and integrity to the highest ethical standards, in compliance with all applicable legislation. Cobham protects human rights through the principles and policies contained in the Cobham Code of Business Conduct and through company policies adopted within the business units.

The Group's fulfilment of its obligations under the Modern Slavery Act of 2015 are published in an annual Anti-Slavery and Anti-Human Trafficking statement which is published and accessible via the Cobham website, at: <https://www.cobham.com/media/rwmjf1zv/cobham-2022-anti-slavery-and-human-trafficking-statement.pdf>.

All employees are expected to comply with the Anti-Slavery and Anti-Human Trafficking Policy, including due diligence checks when contracting with third parties. The Group selects suppliers who adopt high ethical standards which are consistent with our corporate beliefs and values. The Group expects its suppliers (and their subcontractors) to operate their businesses and conduct employee relations in an ethical manner and to meet the requirements stipulated by both international and regional laws and industry standards.

### **Environment**

Cobham recognises that its operations, activities, products and services have an impact on the environment. Failure to address environmental sustainability issues aligns with the Group's principal risks of significant business interruption. The Group continuously endeavours to improve its efficiency in the use of raw materials, energy and natural resources through product design, operations and supply chain management and logistics.


See details of our Group safety, health and environment policy above (*Health and Safety*).

**AI Convoy (Luxembourg) S.à r.l.**

A confirmation statement is requested annually from each business unit, which is certified by the CEO and CFO of the respective business unit and this statement is required to confirm that the relevant business has adopted a formal Environment, Social and Governance policy relevant to that business, including matters such as workplace safety, environmental management and product safety. Confirmation is also made by that statement that the relevant business is in compliance with all environmental laws and all environmental permits necessary in connection with the ownership and operation of the business.

Signed on behalf of the board.

DocuSigned by:



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Donald E. Whitt, Jr.

Manager

10 April 2024

## Independent auditor's report

To the Shareholder of  
AI Convoy (Luxembourg) S.à r.l.  
2-4 rue Beck  
L-1222 Luxembourg

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

#### Opinion

We have audited the consolidated financial statements of AI Convoy Luxembourg S.à r.l. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

#### Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other information

The Board of Managers is responsible for the other information. The other information comprises the information included in the consolidated management report but does not include the consolidated financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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 this fact. We have nothing to report in this regard.

### **Responsibilities of the Board of Managers and those charged with governance for the consolidated financial statements**

The Board of Managers is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS as adopted by the European Union and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers is responsible for assessing the Group'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 Board of Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers.
- Conclude on the appropriateness of Board of Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Ernst & Young  
Société anonyme  
Cabinet de révision agréé



Alban Aubrée

## Consolidated Income Statement

### For the year ended 31 December 2023

\$m	Note	2023	2022*
<b>Continuing operations</b>			
Revenue	2	<b>926.7</b>	873.5
Cost of sales		<b>(697.9)</b>	(671.2)
Gross profit		<b>228.8</b>	202.3
Operating costs		<b>(200.3)</b>	(208.4)
Loss on divestments	25	<b>(3.8)</b>	(12.8)
Operating profit/(loss)		<b>24.7</b>	(18.9)
Finance income	4	<b>4.2</b>	4.3
Finance costs	4	<b>(207.1)</b>	(139.9)
Loss before taxation		<b>(178.2)</b>	(154.5)
Taxation	5	<b>8.9</b>	56.0
Loss from continuing operations		<b>(169.3)</b>	(98.5)
Profit/(loss) from discontinued operations	25a	<b>966.0</b>	(28.8)
Profit/(loss) for the year		<b>796.7</b>	(127.3)
Attributable to:			
Owners of the parent		<b>796.7</b>	(127.5)
Non-controlling interests		<b>-</b>	0.2
		<b>796.7</b>	(127.3)

\* Re-presented to reflect the change in presentation of discontinued operations on a basis consistent with the current year as set out in Note 1.

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

**Consolidated Statement of Comprehensive Income**  
**For the year ended 31 December 2023**

<b>\$m</b>	Note	<b>2023</b>	2022
Profit/(loss) for the year		<b>796.7</b>	(127.3)
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurement of defined benefit retirement benefit obligations	19	<b>(9.8)</b>	(146.1)
Tax effects	5	<b>2.4</b>	27.8
		<b>(7.4)</b>	(118.3)
<i>Items that may subsequently be reclassified to profit or loss</i>			
Net translation differences on investments in overseas subsidiaries	22	<b>(32.6)</b>	(9.5)
<b>Other comprehensive expense for the year</b>		<b>(40.0)</b>	(127.8)
<b>Total comprehensive income/(expense) for the year</b>		<b>756.7</b>	(255.1)
Attributable to:			
Owners of the parent		<b>756.7</b>	(255.3)
Non-controlling interests		<b>-</b>	0.2
		<b>756.7</b>	(255.1)

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

## Consolidated Statement of Financial Position

As at 31 December 2023

\$m	Note	2023	2022
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	7	1,030.9	1,216.4
Property, plant and equipment	8	218.4	216.2
Contract assets	11	1.2	2.0
Trade and other receivables	12	6.1	4.0
Retirement benefits asset	19	21.0	31.4
Deferred tax	5	84.1	20.9
Derivative financial instruments	18	-	0.2
		<b>1,361.7</b>	<b>1,491.1</b>
<b>Current assets</b>			
Inventories	9	100.0	146.0
Contract assets	11	156.0	80.6
Trade and other receivables	12	66.8	88.4
Current tax receivables	5	0.1	1.1
Derivative financial instruments	18	12.7	0.7
Cash and cash equivalents	14	172.7	232.6
Assets classified as held for sale	13	438.6	981.3
		<b>946.9</b>	<b>1,530.7</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	14	(333.8)	(7.7)
Lease obligations	15	(7.4)	(12.5)
Contract liabilities	11	(33.9)	(39.0)
Trade and other payables	16	(227.2)	(236.8)
Provisions	17	(10.6)	(15.2)
Current tax liabilities	5	-	(3.2)
Derivative financial instruments	18	-	(1.2)
Liabilities associated with assets classified as held for sale	13	(120.3)	(138.1)
		<b>(733.2)</b>	<b>(453.7)</b>
<b>Non-current liabilities</b>			
Borrowings	14	(1,639.6)	(2,121.6)
Lease obligations	15	(67.0)	(76.7)
Trade and other payables	16	(2.7)	(2.2)
Provisions	17	(2.8)	(8.9)
Deferred tax	5	-	(107.9)
		<b>(1,712.1)</b>	<b>(2,317.3)</b>
<b>Net assets</b>		<b>(136.7)</b>	<b>250.8</b>
<b>Equity</b>			
Issued capital	21	1.5	1.5
Share premium	21	1,064.4	1,064.4
Equity Preferred Certificates	21	56.2	56.2
Other reserves	22	(34.3)	(1.7)
Retained earnings		(1,225.2)	(870.3)
<b>Total equity attributable to owners of the parent</b>		<b>(137.4)</b>	<b>250.1</b>
Non-controlling interests in equity		0.7	0.7
<b>Total equity</b>		<b>(136.7)</b>	<b>250.8</b>

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements. The financial statements on pages 17 to 56 were approved by the Board of Managers on 10 April 2024 and signed on its behalf by:

DocuSigned by:

*Don Whitt*

Donald S Whitt 1725F49F...

Manager

## Consolidated Statement of Changes in Equity

### For the year ended 31 December 2023

\$m	Issued capital (note 21)	Share premium (note 21)	Equity Preferred Certificates (note 21)	Other reserves (note 22)	Retained earnings	Total attributable to owners of the parent	Non- controlling interests	Total equity
<b>Total equity at 31 December 2022</b>	<b>1.5</b>	<b>1,064.4</b>	<b>56.2</b>	<b>(1.7)</b>	<b>(870.3)</b>	<b>250.1</b>	<b>0.7</b>	<b>250.8</b>
Profit for the year	-	-	-	-	<b>796.7</b>	<b>796.7</b>	-	<b>796.7</b>
Other comprehensive expense	-	-	-	<b>(32.6)</b>	<b>(7.4)</b>	<b>(40.0)</b>	-	<b>(40.0)</b>
Total comprehensive income for the year	-	-	-	<b>(32.6)</b>	<b>789.3</b>	<b>756.7</b>	-	<b>756.7</b>
Distributions made (note 23)	-	-	-	-	<b>(1,144.2)</b>	<b>(1,144.2)</b>	-	<b>(1,144.2)</b>
<b>Total equity at 31 December 2023</b>	<b>1.5</b>	<b>1,064.4</b>	<b>56.2</b>	<b>(34.3)</b>	<b>(1,225.2)</b>	<b>(137.4)</b>	<b>0.7</b>	<b>(136.7)</b>
Total equity at 1 January 2022	1.5	1,064.4	56.2	4.6	(621.9)	504.8	2.5	507.3
Loss for the year	-	-	-	-	(127.5)	(127.5)	0.2	(127.3)
Other comprehensive expense	-	-	-	(9.5)	(118.3)	(127.8)	-	(127.8)
Total comprehensive expense for the year	-	-	-	(9.5)	(245.8)	(255.3)	0.2	(255.1)
Purchase of non-controlling interests	-	-	-	-	(2.6)	(2.6)	(1.8)	(4.4)
Reclassification of foreign exchange on divestment of overseas operations	-	-	-	3.2	-	3.2	-	3.2
Foreign exchange adjustments	-	-	-	-	-	-	(0.2)	(0.2)
Total equity at 31 December 2022	1.5	1,064.4	56.2	(1.7)	(870.3)	250.1	0.7	250.8

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

## Consolidated Cash Flow Statement For the year ended 31 December 2023

\$m	Note	2023	2022
Cash generated from operations		<b>168.4</b>	198.6
Tax paid		<b>(20.4)</b>	(30.2)
Interest paid		<b>(197.9)</b>	(145.3)
Interest received		<b>3.2</b>	0.4
<b>Net cash (used in)/from operating activities</b>	6	<b>(46.7)</b>	23.5
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(23.6)</b>	(90.6)
Purchase of intangible assets		<b>(3.7)</b>	(5.2)
Capitalised expenditure on intangible assets		<b>(20.0)</b>	(28.8)
Proceeds on disposal of property, plant and equipment and intangible assets		<b>1.1</b>	9.0
Acquisition of subsidiaries net of cash acquired	24	<b>(250.8)</b>	-
(Expenses of)/proceeds from business divestments	25	<b>(2.1)</b>	186.0
Proceeds on disposal of assets previously held for sale	25	<b>1,653.0</b>	-
Proceeds from sale of financial investment		<b>-</b>	4.7
<b>Net cash received from investing activities</b>		<b>1,353.9</b>	75.1
<b>Cash flows from financing activities</b>			
Dividends paid		<b>(1,144.2)</b>	-
Purchase of non-controlling interests		<b>-</b>	(4.4)
New borrowings	14	<b>515.9</b>	148.4
Repayment of bank and other borrowings	14	<b>(719.0)</b>	(156.1)
Lease capital payments	14	<b>(17.3)</b>	(36.3)
<b>Net cash used in financing activities</b>		<b>(1,364.6)</b>	(48.4)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(57.4)</b>	50.2
Exchange movements		<b>(5.2)</b>	(5.0)
Cash and cash equivalents at start of year		<b>235.3</b>	190.1
<b>Cash and cash equivalents at end of year</b>		<b>172.7</b>	235.3

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

\$m		2023	2022
Cash at bank and on hand	14	<b>172.7</b>	232.6
Cash at bank attributable to discontinued operations		<b>-</b>	2.7
		<b>172.7</b>	235.3

### Reconciliation of cash and cash equivalents and net debt

\$m	Note	2023	2022
Cash and cash equivalents per Cash Flow Statement		<b>172.7</b>	235.3
Deduct Cash at bank attributable to discontinued operations		<b>-</b>	(2.7)
Cash and cash equivalents per Balance Sheet	14	<b>172.7</b>	232.6
Bank and other borrowings	14	<b>(1,973.4)</b>	(2,129.3)
Lease obligations	15	<b>(74.4)</b>	(89.2)
<b>Net debt at 31 December</b>		<b>(1,875.1)</b>	(1,985.9)

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

## AI Convoy (Luxembourg) S.à r.l.

### 1. Authorisation of financial statements and statement of compliance with IFRS

The consolidated financial statements of AI Convoy (Luxembourg) S.à r.l. (the "parent company") and all its subsidiaries (the 'Group') for the year ended 31 December 2023 were authorised for issue by the Board of Managers on 10 April 2024 and the Consolidated Statement of Financial Position was signed on the Board's behalf by Frank Leccese Jr and D Whitt. Under Luxembourg law, the consolidated financial statements are approved by the Shareholders during the Annual General Meeting.

AI Convoy (Luxembourg) S.à r.l. is registered with the Trade and Companies Register of Luxembourg with the number B236989 and has its registered office at 2-4 Rue Beck L-1222 Luxembourg.

On 17 January 2020 Cobham plc ('Cobham') was acquired by the Group. Cobham is a leading global defence and aerospace company, offering an innovative range of technologies and services to solve challenging problems in commercial, defence and security markets around the world.

The Cobham Group is ultimately owned by funds managed by Advent International Corporation, a global private equity investor.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) and interpretations of the IFRS Interpretations Committee.

The Group has prepared these consolidated financial statements as at 31 December 2023 which comply with IFRSs applicable as at 31 December 2023.

#### Accounting policies

##### 1.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and pension assets which have been measured at fair value.

The consolidated financial statements are presented in US\$ and all values are rounded to the nearest 100,000 (\$0.1m), except where indicated otherwise.

Certain comparative amounts in the Group Income Statement have been re-presented, in respect of the following transactions, to achieve a more appropriate presentation as required by IFRS 5: Non-current assets held for sale and discontinued operations:

- In July 2023, an agreement to sell the Aerospace Communications business was agreed, subject to regulatory approvals. As a result, the assets and liabilities of that business were classified as held for sale as at 31 December 2023. The results of the business have been presented within Profit from discontinued operations in the Group Income Statement with the prior period comparatives re-presented accordingly.

##### 1.2 Going concern

These financial statements have been prepared on the going concern basis under the historical cost convention, unless otherwise stated.

In applying the going concern basis, Management has considered the Group cash flow projections and assessed the robustness of the forecast through sensitivities around the key assumptions, in particular revenue growth rate, gross margin, capital expenditures and cash conversion. At the year end, the Group has considerable financial resources with liquidity available on the Balance Sheet from its cash resources, with \$173m cash balances net of overdrafts. The Group also has undrawn credit facilities of \$18m and its debt repayment profile is heavily biased to the medium term as set out in note 14.

There is a springing financial covenant applicable to the Revolving Credit Facility that is tested, subject to certain conditions, quarterly from 31 December 2023 if the facility, net of cash balances, is over 40% drawn. The covenant requires that the leverage ratio of senior secured net debt to EBITDA of the Group does not exceed 7.6:1.

The Group has a mix of shorter and longer term contracts and a number of leading market positions with customers across different geographical areas. As a consequence, the Managers believe that the Group is ordinarily well placed to manage its business risks successfully.

The Managers have approved a detailed financial and strategic five-year plan and have applied stress tests on its cash position. These have included assuming severe but plausible scenarios such as a 25% reduction in operational cash flow over the period to 31 December 2025. In these cases the Managers have confirmed that the Group would be able to operate and service the senior debt within the level of its currently available funding over the next 12 months without breaching the covenants in place.

Accordingly, after making enquiries, the Managers have concluded at the time of approving the financial statements that it is their expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group Financial Statements.

##### 1.3 Management judgement and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires the use of judgements and estimates that affect the application of accounting policies and reported amounts of assets, liabilities, revenue and expenses.

These judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The current economic conditions have been considered when evaluating accounting judgements and estimates, including the application of the going concern basis of preparation. Although estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

## AI Convoy (Luxembourg) S.à r.l.

### 1.3.1 Significant judgements in applying accounting policies

The following are the judgements, apart from those involving estimations, that Management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

#### a. Revenue recognition and contract accounting

The Group has a number of contracts related to long term development programmes. For the majority of these contracts revenue is recognised over time on a percentage of completion basis. This is where a portion of the contract revenue is recognised based on contract costs incurred to date compared with total estimated costs at completion. There are three principal judgements associated with this method of contract accounting:

- Performance obligations: Judgement is applied in determining how many performance obligations there are within each contract and whether the development phase represents a separate obligation. In most cases, the development phase is not considered to be distinct as the customer does not benefit from the development activities alone. It is instead combined with the early contracted production phases such as low rate initial production (LRIP) which are considered a key part of the development cycle.
- Modifications and claims: Judgement is applied in determining whether claims to or from the customer are likely to be successful. Estimation techniques are then used to quantify the impact.
- Costs to fulfil a contract: For some contracts, where revenue is recognised at a point in time (rather than over time), the Group incurs development costs in order to meet its performance obligations and these costs are recognised as an asset. The asset is then amortised to cost of sales as revenue is recognised. Judgement is applied in assessing whether these costs are costs to fulfil a contract or internally generated intangible assets. This judgement will depend on management's assessment of the nature of the underlying costs and whether they principally relate to a particular contract.

#### b. Capitalisation of development costs

The Group undertakes significant levels of development work. Judgement is exercised in determining whether the criteria for capitalisation as described in IAS 38, Intangible Assets are met; in particular in applying the appropriate level of caution to the requirement for the product to be technically feasible and capable of generating a financial return. If these tests are met, further costs are capitalised as an intangible asset until the intangible asset is readily available for use and is then amortised.

#### c. Cash generating units (CGUs)

A CGU is the smallest group of assets that generates cash flows that are largely independent of cash flows generated by other assets. Management reporting and decision making are undertaken at this level of asset grouping. After consideration by management, the CGUs appropriate to the group are as shown in the Revenue Segmental Analysis (note 2).

#### d. Share based compensation

Employees (including senior executives) of the Group participate in a share-based arrangement by subscribing to shares in the shareholding structure of the Group. The Group treats the arrangement as equity settled, since the transaction is settled by the Shareholder based on the fair value of the Group's shares. The Group records the cost in employee benefits expense only if the fair value differs from the subscription value at the grant date (subscription date). The Group considers that the fair value does not materially differ from the subscription value.

#### e. Equity Preferred Certificates

Under the terms and conditions of the preference shares issued by the Group, the shares are redeemable in cash only at the option of the issuer and therefore do not satisfy the definition of a financial liability in IAS 32. In addition they are interest and dividend free and redemption of the shares is at the discretion of the issuer. As a result, the preference shares are classified as equity and recognised at nominal value.

### 1.3.2 Assumptions and estimation uncertainties

Management consider that there are a number of assumptions concerning the future and other major sources of estimation uncertainty at the balance sheet date, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Those key assumptions and estimation uncertainties are as follows:

#### a. Uncertain tax positions and deferred tax assets (note 5)

Recognition and measurement of amounts provided in respect of uncertain tax positions are included within net current tax liabilities in the Balance Sheet. The recoverability of deferred tax assets is assessed by reference to estimated future profits in each territory;

#### b. Business Combinations, Goodwill and Intangible Assets

IFRS 3 (revised) 'Business Combinations' requires that goodwill arising on the acquisition of subsidiaries is capitalised and included in intangible assets. IFRS 3 (revised) also requires the identification and valuation of other separable intangible assets at acquisition, based on fair values attributed to each class of asset. The assumptions involved in establishing the fair values require the use of management estimates. The estimates made in relation to acquired intangible assets include identification of relevant assets, future growth rates, expected inflation rates and the discount rate used. Management also make estimates of the useful economic lives of the intangible assets.

Goodwill and intangible assets are allocated to CGUs based on which one is expected to benefit most from that specific asset. The allocation is normally straightforward, but in some instances there may be a need for a multiple allocation for an individual asset, based on management's estimates of future benefits arising for that asset in two or more CGUs.



## AI Convoy (Luxembourg) S.à r.l.

### c. Impairment of goodwill and intangible assets (note 7)

Determination of the value in use of CGUs, as assessed in relation to the annual review of goodwill and any subsequent impairment of goodwill and intangible assets, or reversal of previously impaired intangible assets, relies on estimated cash flows, discounted to present value. The Group has modelled a range of scenarios to consider the impact on the carrying value of its assets.

### d. Inventory provisions (note 9)

Recognition and measurement of provisions for obsolete, slow moving and defective items of inventory is an area of estimation uncertainty which may have a significant effect on the carrying amount of inventory within the next financial year.

### e. Revenue recognition (note 2), contract assets and liabilities (note 11) and contract loss provisions (note 17)

Recognition and measurement of revenue on long term contracts, associated contract assets and liabilities and contract loss provisions requires estimation of the costs to complete the contracts including some contingencies for the risks identified, the final costs of technical solutions, the outcome of negotiations with customers (including modifications) and the amounts recoverable under these contracts.

### f. Pension assets and liabilities (note 19)

Assumptions are made in assessing the costs and present value of the pension assets and liabilities, which include the discount rate, inflation and mortality rates.

### g. Incremental borrowing rates (IBR)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. If the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay'. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

## 1.4 Material accounting policies

The material accounting policies, which have been consistently applied unless otherwise stated, are as set out below.

### 1.4.1 Basis of consolidation

The Group Financial Statements include the financial statements of the Parent Company, AI Convoy (Luxembourg) S.à r.l., and of all its subsidiaries.

Subsidiaries are all entities over which the Group has control, which is defined as the right to direct the relevant activities of that subsidiary, rights to variable returns and the ability to affect those returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date that control ceases. The Group reassesses whether or not it controls a subsidiary if facts or circumstances indicate that there are changes in any of the elements of control as defined above. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### 1.5 Foreign currencies

The presentation currency of the Group is US Dollars. Most Group companies use their local currency as their functional currency. The functional currency of the parent is US Dollars. Transactions in currencies other than the functional currency are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in non-functional currencies are retranslated at the exchange rate ruling at the balance sheet date and any exchange differences arising are taken to the Income Statement.

For consolidation purposes, the assets and liabilities of foreign operations are translated at closing exchange rates. Income statements of such undertakings are consolidated at average rates of exchange as an approximation for actual rates during the year. Exchange differences arising on these translations are accounted for in the translation reserve in Other Comprehensive Income (OCI). On divestment, these exchange differences are reclassified from the translation reserve to the Income Statement.

### 1.6 Revenue recognition (note 2)

Revenue is accounted for in accordance with IFRS 15, Revenue from Contracts with Customers.

A five-step process must be applied before revenue can be recognised:

1. Identify contracts with customers;
2. identify the separate performance obligations;
3. Determine the transaction price of the contract;
4. Allocate the transaction price to each of the separate performance obligations; and
5. Recognise the revenue as each performance obligation is satisfied.

## AI Convoy (Luxembourg) S.à r.l.

The transaction price is measured based on the consideration specified in a contract with a customer and, where applicable, the best estimate of any consideration related to modifications to the contract which has yet to be agreed. Any amounts expected to be paid to the customer, such as penalties for late delivery, are deducted from the consideration. Where a transaction price has to be allocated between multiple performance obligations, this is generally achieved through allocating a proportion of total price against each obligation using either standard list sales prices or an estimated costs methodology.

Revenue related to the sale of short cycle catalogue items, mostly seen in the Communications and Connectivity Sector, is recognised when control of the product passes to the customer. This may be on delivery or on dispatch depending on the specific terms of the contract. There is generally a low level of returns experienced across the short cycle businesses and therefore no returns liability is recorded.

Most of the revenue in the Aviation Services Sector is generated from providing services to customers. Revenue is recognised over time as the services are enjoyed. Contracts within this Sector can include variable consideration associated with the level of services provided, for example, flying hours. This is generally straightforward to estimate and is invoiced to the customer on a regular basis.

The Group has a number of long term development programmes, particularly within the Mission Systems Sector. For the majority of these contracts revenue is recognised over time on a percentage of completion basis. This is where a portion of the contract revenue is recognised based on contract costs incurred to date compared with total estimated costs at completion. This method is considered to most faithfully depict the transfer of goods and services to the customer over the life of the performance obligation. As these products come out of the development phase and into full rate production, revenue is recognised at a point in time where there is an alternative use.

For some programme specific products, markets may not be sufficiently mature to offer an alternative use and in these circumstances, where there is also a right to payment at all times, revenue is recognised over time based on a percentage of completion basis using costs as the measure of progress. For development and production contracts where there is not considered to be a right to payment at all times through the contract, these are accounted for at a point in time, with revenue recognised when control transfers to the customer, typically on delivery of the production units.

The Group has a number of contracts with government bodies, in particular within the Advanced Electronic Solutions Sector, for which control is transferred to the customer as the product is being manufactured or as the services are being provided. For these contracts, revenue is recognised over time on a percentage of completion basis, using cost to measure progress (as above for Mission Systems contracts). For 'cost-plus' contracts (typically with government departments and agencies), revenue is recognised to the extent of reimbursable costs incurred, plus a proportionate amount of the estimated fee earned.

The timing of payment from customers is generally aligned to revenue recognition, subject to agreed invoice terms. The majority of development programmes have payment terms based on contractual milestones, which are not necessarily aligned to when revenue is recognised, particularly for those contracts recognised over time using percentage of completion methodology. This generally leads to recognition of revenue in advance of customer billings, for which a contract asset is recognised. Where cash is received from the customer in advance of recognising revenue under a contract, a contract liability is recorded (advance payments from customers).

The practical expedient available under IFRS 15 has been taken whereby any financing element of the contract price has been ignored if the timing difference between the satisfaction of the obligations under the contract and the receipt of payment due under the contract are expected to be one year or less.

Where incremental costs of obtaining a contract are incurred, such as sales commissions, the Group has taken advantage of the practical expedient to recognise these costs as expense when incurred rather than capitalising them as an asset, on the basis that the amortisation period would typically be one year or less. Other costs to obtain a contract, such as bid costs that would have been incurred regardless of whether the contract was awarded, are expensed as incurred because they are not recoverable from the customer in the event of an unsuccessful bid.

Costs incurred in fulfilling a contract with a customer are capitalised where they are directly related to a contract; they generate or enhance the resources of the Group in fulfilling the contract; and they are recoverable. Such costs are then amortised to cost of sales over a consistent period as the associated revenue is recognised.

### 1.7 Taxation (note 5)

The tax expense is the sum of current tax and deferred tax. Tax is charged or credited to the Income Statement except when it relates to items recognised in OCI or directly in equity, in which case the tax is also dealt with in OCI or in equity respectively.

Current tax is provided at the amounts expected to be paid, using rates that have been enacted or substantively enacted at the balance sheet date. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted in the countries where the Group operates and generates taxable income.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. It is calculated using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. 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 assets to be recovered.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

## AI Convoy (Luxembourg) S.à r.l.

### 1.8 Intangible assets (note 7)

#### Goodwill

Goodwill arises on business combinations and represents the excess of the fair value of consideration transferred over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is allocated at acquisition to the CGUs that are expected to benefit from that business combination. CGUs represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

On divestment of a business the attributable amount of goodwill is included in the determination of the profit or loss on divestment.

#### Other intangible assets

Intangible assets other than goodwill which are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. These include customer relationships, technology and software, trademarks, licences and patents. The only internally generated intangible assets are development costs which are capitalised as described below and internally developed software where asset recognition criteria are met.

These intangible assets are amortised over the asset's estimated useful life on a straight-line basis as follows:

Customer relationships	5 to 15 years
Technology based assets	5 to 15 years
Development costs	2 to 10 years
Order book and trade names	6 months to 10 years
Software and other	2 to 10 years

Useful lives are assessed for each asset on an individual basis, taking into account the specific characteristics of the asset.

#### Research and development

Development costs are capitalised when it can be demonstrated that the conditions for capitalisation as described in IAS 38, Intangible Assets are met, paying particular attention to the requirements for the product to be technically feasible and capable of generating a financial return. At that point, further costs are capitalised as an intangible asset until the intangible asset is readily available for use and it is then amortised as described above. All development costs not capitalised are written off as incurred together with all research costs.

### 1.9 Property, plant and equipment (note 8)

Freehold and leasehold land and buildings, plant and machinery, and fixtures, fittings, tools and equipment are held at historic cost less accumulated depreciation and any recognised impairment losses. Cost comprises the purchase price and any costs directly attributable to the asset.

All property, plant and equipment other than land and assets under construction is depreciated on a straight-line basis to the estimated residual values over the estimated useful lives. These lives are as follows:

Freehold buildings	50 years
Leasehold properties	Period to next break clause
Plant and machinery	3 to 15 years
Fixtures, fittings, tools and equipment	3 to 15 years

Estimated residual values and the estimated useful lives are reviewed annually and adjusted where necessary. Freehold land is not depreciated, and is reviewed for impairment at least annually.

Assets under construction are held at cost and transferred to the appropriate category of property, plant and equipment once construction is complete and they enter into service. They are depreciated from this point in accordance with the policies described above.

Major overhaul expenditure on owned aircraft is capitalised when incurred and the resultant property, plant and equipment is depreciated over its useful economic life.

### 1.10 Right-of-use assets (note 8)

Right-of-use assets are reported within property, plant and equipment on the Balance Sheet.

The initial cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, expected asset restoration costs and lease payments made at or before the commencement date, less any lease incentives received. The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the useful economic life of the asset, relevant to the class of right-of-use asset as shown in 1.9 above. The right-of-use asset is tested for impairment where appropriate.

The option not to apply IFRS 16 to leases with a term of 12 months or less and low value leases has been taken.

### 1.11 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at least annually to determine whether there is any indication of impairment. Where there is an indication of impairment, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

## AI Convoy (Luxembourg) S.à r.l.

An impairment loss is recognised where the recoverable amount of an asset is lower than its carrying amount. All impairment losses are recognised in operating costs in the Income Statement.

An impairment loss, other than arising on goodwill, is reversed only after a change in the estimates used to assess the recoverable amount is identified and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Any reversal is recognised in operating costs in the Income Statement.

### 1.12 Inventories (note 9)

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made where necessary for obsolete, slow moving and defective items.

### 1.13 Fair values

The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date. Fair value measurements are used on a recurring basis except where used in the measurement of net assets classified as held for sale and in the valuation of assets and liabilities in a business combination.

The following hierarchy has been used by the Group for determining and disclosing fair value in accordance with IFRS 13, Fair Value Measurement.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Techniques which use inputs that have a significant effect on the recorded fair value that are based on observable market data.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The fair values of derivative financial instruments have been determined by the use of valuation techniques, primarily discounted cash flows, based on assumptions that are supported by observable market prices or rates. The fair values of non-financial assets and liabilities, which includes net assets classified as held for sale, are based on observable market prices or rates. For non-financial assets, the fair value takes into account the highest and best use of the assets. These measurements fall within Level 2 of the fair value hierarchy.

For financial assets and liabilities which are not held at fair value in the Statement of Financial Position, the carrying values of these items are assumed to approximate to fair value.

There have been no changes to the valuation techniques used during the year. The Group's policy is to recognise transfers in and transfers out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer, although there have been no such transfers during the current or comparative periods.

### 1.14 Financial instruments (note 10)

Financial instruments are accounted for in accordance with IFRS 9, Financial Instruments and are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value at trade date.

All financial assets and liabilities are classified as current or non-current dependent upon the maturity date of the instruments. Financial assets and liabilities are presented on an offset basis when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

#### Financial assets (note 10)

On initial recognition, financial assets are classified as being subsequently measured at either amortised cost or fair value dependent upon the Group's business model for managing the asset and its cash flow characteristics. Financial assets are not reclassified following initial recognition unless the Group changes its business model for managing financial assets.

Financial assets are deemed to be held under one of three business models:

1. Hold to collect, where the business objective is to hold the asset to collect the contractual cash flows;
2. Hold to collect and sell, where the business objective is to hold the asset to collect the contractual cash flows and to sell the financial assets; and
3. Other.

Unless specifically designated to be held at fair value through profit or loss, a financial asset is measured at amortised cost if it is held within a hold to collect business model and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets held within a hold to collect and sell business model are measured at fair value through OCI if the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group classifies in this category cash, trade and other receivables, contract assets and loans receivable. The Group does not currently have any such assets.

All other financial assets, including derivative financial instruments, are held at fair value through profit or loss.

Amortised cost is measured using the effective interest method. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Income Statement.

#### Impairment of financial assets

The Group recognises lifetime expected credit losses at the point of initial recognition for trade receivables, contract assets (under IFRS 15) and lease receivables. These are assessed with reference to past default rates, also reflecting forward looking information such as local economic or market conditions and using a provision matrix where appropriate.

## **AI Convoy (Luxembourg) S.à r.l.**

For other financial assets, a loss allowance is recognised for expected credit losses taking into account changes in the level of credit risk. Where credit risk is considered to be low, the loss allowance is limited to expected losses arising from default events that are possible within 12 months from the balance sheet date.

Impairments are charged to operating costs in the Income Statement.

### **Financial liabilities (note 10)**

Subsequent to initial recognition, financial liabilities are classified as measured at fair value through profit or loss, or at amortised cost using the effective interest method.

### **Trade and other receivables including contract assets (notes 11 and 12)**

Trade and other receivables and contract assets are stated at their amortised cost, net of allowance for expected credit losses in respect of any overdue amounts. Where there is clear evidence that the receivable will not be recovered, and generally where receivables are in excess of 12 months old, the balance is written off in full.

The Group uses a non-recourse factoring scheme for certain of its receivables. The program was gradually implemented during 2020 and receivables subject to this arrangement are fully derecognised from the Balance Sheet as soon as their acceptance is validated by the factoring company and all risks and rewards are transferred. Subsequently they are recorded off-balance sheet and subject to disclosure only.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and bank deposits with an original maturity of three months or less, that are held for the purpose of meeting short-term cash commitments and are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Cash Flow Statement.

### **Bank borrowings (note 14)**

Interest bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of direct issue costs. Borrowing costs, net of amounts capitalised, are accounted for on an accruals basis and charged to the Income Statement as incurred. Premiums payable on settlement or redemption and direct issue costs are capitalised and amortised over the period of the facility.

### **Trade payables (note 16)**

Trade payables do not carry any interest and are stated at their nominal value.

### **Derivative financial instruments and hedge accounting (note 18)**

The majority of foreign exchange contracts entered into by the Group are used to mitigate foreign exchange impacts of trading in non-functional currencies. These are not accounted for using hedge accounting principles.

Where hedge accounting is not applied, movements in fair value of the derivative instruments are included in the Income Statement within operating costs.

The fair value of derivative financial instruments is classified as a current or non-current asset or liability dependent upon the maturity date of the financial instrument or hedged item as appropriate.

#### **1.15 Lease obligations (note 15)**

Lease obligations are recognised at lease inception equal to the discounted lease payments under the lease. The lease payments also include extension options, where reasonably certain to be exercised by the Group. The lease obligation is subsequently measured using the effective interest method, with the liability increasing to reflect the accretion of interest and reduced by lease payments made, with interest charged to finance costs. In addition, the carrying amount of lease obligations is re-measured if there is a modification, for example a change in the lease term or non-fixed lease payments.

The option not to apply IFRS 16 to leases with a term of 12 months or less and low value leases has been taken.

#### **1.16 Provisions (note 17)**

A provision is required when the Group has a present legal or constructive obligation as a result of a past event and it is probable that settlement will be required and where the amount can be reliably measured. No provision is recognised where the existence of an obligation is possible but will only be confirmed by uncertain future events.

Contract loss provisions are recognised for onerous contracts when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Restructuring provisions are made where there is an approved and detailed formal plan. There will also be a valid expectation in those affected that the restructuring will be carried out because it has been started or announced. The amount provided includes only the direct expenditures arising from the restructuring.

Provisions for warranty costs are recognised at the date of sale of the relevant products, at management's best estimate of the expenditure required to settle the Group's liabilities, based on past experience and industry averages for defective products.

Provisions for claims made against the Group and commitments made under performance guarantees are recognised at management's best estimate of the expenditure required to settle the Group's liabilities.

## AI Convoy (Luxembourg) S.à r.l.

Right-of-use asset provisions are made where assets are leased and there is an obligation to return the asset to the lessor in a specific condition or to restore the site on which the asset is located. In these cases, at initial recognition of the lease, the estimated restoration or remediation costs are included in the right-of-use asset and a provision is recognised.

Provisions are discounted at an appropriate risk free rate when the impact is material.

### 1.17 Retirement benefit schemes (note 19)

For defined benefit schemes, current service costs and costs related to the administration of the schemes are charged to operating profit. Gains and losses on settlements and curtailments arising on a business divestment are included in profit on divestment. Past service costs are recognised in the Income Statement. The interest on net assets or liabilities is shown within finance income and costs. Actuarial remeasurements are recognised in OCI.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting net defined benefit asset or liability is presented separately on the Balance Sheet.

For defined contribution schemes, contributions are charged to the Income Statement as they fall due.

### 1.18 Share based compensation (note 21)

Employees (including senior executives) of the Group participate in a share-based arrangement by subscribing to shares in the shareholding structure of the Group. The Group treats the arrangement as equity settled, since the transaction is settled by the Shareholder based on the fair value of the Group's shares. The Group records the cost in employee benefits expense only if the fair value differs from the subscription value at the grant date (subscription date).

### 1.19 Equity Preferred Certificates (note 21)

Under the terms and conditions of the preference shares issued by the Group, the shares are redeemable in cash only at the option of the issuer and therefore do not satisfy the definition of a financial liability in IAS 32. In addition they are interest and dividend free and redemption of the shares is at the discretion of the issuer. As a result, the preference shares are classified as equity and recognised at nominal value.

### 1.20 Distributions made (note 23)

The Company recognises a liability to pay a dividend when the distribution is authorised, and the distribution is no longer at the discretion of the Company. As per the corporate laws of Luxembourg, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

### 1.21 Business combinations (note 24)

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives (if any) in host contracts by the acquiree.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

### 1.22 Divestments (note 25)

When the Group loses control over a subsidiary, for example through divestment, it derecognises the related assets and liabilities from the date of loss of control, with any resultant gain or loss on divestment recognised in profit or loss.

## AI Convoy (Luxembourg) S.à r.l.

### 1.23 Held for Sale assets and liabilities (note 13)

Assets and liabilities are classified as Held for Sale where actions to complete the sale have been initiated and the sale is expected to be completed within one year from the date of initial classification. Furthermore, a potential buyer has been identified and negotiations at the reporting date are at an advanced stage. The assets and liabilities are available for immediate sale and can be sold to a potential buyer in their current condition. Held for sale assets are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset. Amortisation and depreciation on held for sale assets ceases from the date those assets are classified as held for sale.

### 1.24 Non-controlling interests in equity

Non-controlling interests represent the share of net assets in a subsidiary which are not attributable, directly or indirectly, to the group. The non-controlling interest is reported as part of equity of the consolidated group, recorded separately from the parent's interests and clearly distinguished separately from other components of the parent's equity.

### 1.25 New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023.

- IFRS 17: *Insurance Contracts*
- Amendments to IAS 8: *Definition of Accounting Estimates*
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

None of the amendments shown above had a material impact on the Group's financial reporting.

In addition, the Group applied for the first time the following amendments, which required management to consider the effects of application:

- Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting Policies*  
Management reviewed the Group's accounting policies and resolved not to exclude any on the basis of materiality.
- Amendments to IAS 12: *International Tax Reform – Pillar Two Model Rules*  
The amendments to IAS 12 include:
  - A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
  - Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation.The Group has applied the mandatory exception and is not recognising any deferred tax impact. Further information about the impact of the Pillar Two model framework, including the impact on the effective tax rate for 2024, is set out in Note 5.

### 1.26 Future accounting developments

The amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below.

- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements

Although the Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective, management are currently assessing the impact of these changes and believe that none of these amendments is expected to have a material impact on the Group's financial reporting, with the exception of amendments to IAS 1 for Non-current liabilities with covenants which will require additional disclosures.

## 2. Revenue

Revenue comprises income from the sale of goods and services during the year and can be analysed as follows:

### For the year ended 31 December 2023

\$m	Continuing Operations			Discontinued Operations			
	Communications and Connectivity (excluding Aerospace Communications)	CAES RF	Total	Aviation Services Australia	CAES Space	Aerospace Communications	Total 2023
External revenue by revenue recognition category							
Goods transferred at a point in time	203.8	53.9	257.7	-	0.2	170.7	170.9
Goods transferred over time	-	618.7	618.7	-	1.9	-	1.9
Services transferred at a point in time	19.0	17.2	36.2	-	-	8.3	8.3
Services transferred over time	-	14.1	14.1	-	-	25.3	25.3
	222.8	703.9	926.7	-	2.1	204.3	206.4

## AI Convoy (Luxembourg) S.à r.l.

For the year ended 31 December 2022

\$m	Continuing Operations			Discontinued Operations			
	Communications and Connectivity (excluding Aerospace Communications)	CAES RF	Total	Aviation Services Australia	CAES Space	Aerospace Communications *	Total 2022*
External revenue by revenue recognition category							
Goods transferred at a point in time	199.1	9.9	209.0	-	244.0	143.3	387.3
Goods transferred over time	-	614.5	614.5	-	183.4	-	183.4
Services transferred at a point in time	12.0	5.8	17.8	-	0.6	4.7	5.3
Services transferred over time	-	32.2	32.2	203.1	-	14.9	218.0
	<b>211.1</b>	<b>662.4</b>	<b>873.5</b>	<b>203.1</b>	<b>428.0</b>	<b>162.9</b>	<b>794.0</b>

\* Re-presented to reflect the change in presentation of discontinued operations on a basis consistent with the current year as set out in Note 1. The results for Communications and Connectivity were reported under continuing operations in 2022. During 2023 an agreement was reached to divest Aerospace Communications, part of Communications and Connectivity, to be completed in 2024. Therefore, for 2022 the previously reported results for Communications and Connectivity have been re-presented to separately show Aerospace Communications (discontinued), consistent with reporting in 2023. The CAES Space business was divested on 9 January 2023 - the results presented are therefore for the period to 9 January 2023 and all of 2022. The Aviation Services Australia business was divested in October 2022 - the results presented are therefore for the period to October 2022.

Revenue to be recognised in the future, from continuing operations, related to agreed performance obligations that are unsatisfied or partially satisfied, was as follows:

<b>As at 31 December 2023</b>				
\$m	2024	2025	Later	Total
CAES RF	<b>592.1</b>	<b>128.2</b>	<b>55.5</b>	<b>775.8</b>
Communications and Connectivity (excluding Aerospace Communications)	<b>124.6</b>	<b>2.1</b>	<b>1.1</b>	<b>127.8</b>
	<b>716.7</b>	<b>130.3</b>	<b>56.6</b>	<b>903.6</b>

As at 31 December 2022				
\$m	2023	2024	Later	Total
CAES RF	409.6	155.9	27.0	592.5
Communications and Connectivity (excluding Aerospace Communications)	116.6	54.8	0.8	172.2
	526.2	210.7	27.8	764.7

### 3. Other income statement disclosures (continuing operations)

The following costs are included in operating profit:

\$m	2023	2022*
Materials costs within cost of sales	<b>316.0</b>	286.1
Company funded research and development	<b>28.0</b>	28.4

\* Re-presented to reflect the change in presentation of discontinued operations on a basis consistent with the current year as set out in Note 1.

#### Employment costs and employee numbers

The aggregate employment costs are as follows:

\$m	Note	2023	2022*
Wages and salaries		<b>261.0</b>	268.9
Social security costs		<b>17.9</b>	19.5
Pension costs	19	<b>11.7</b>	11.7
		<b>290.6</b>	300.1

\* Re-presented to reflect the change in presentation of discontinued operations on a basis consistent with the current year as set out in Note 1.



## AI Convoy (Luxembourg) S.à r.l.

Employee numbers, analysed by segment, are as follows:

	Monthly average number of employees		As at 31 December	
	2023	2022*	2023	2022*
Communications and Connectivity (excluding Aerospace Communications)	465	659	478	429
CAES RF	2,194	2,586	2,159	2,614
Centralised IT, Head office and other activities	30	40	28	33
<b>Continuing operations</b>	<b>2,689</b>	<b>3,285</b>	<b>2,665</b>	<b>3,076</b>
Aerospace Communications	700	749	706	667
Aviation Services Australia	-	780	-	-
CAES Space	-	1,156	-	1,205
<b>Discontinued operations</b>	<b>700</b>	<b>2,685</b>	<b>706</b>	<b>1,872</b>
<b>Total Group</b>	<b>3,389</b>	<b>5,970</b>	<b>3,371</b>	<b>4,948</b>

\* Re-presented to reflect the change in presentation of discontinued operations on a basis consistent with the current year as set out in Note 1.

### Compensation of key management personnel

During the years ended 31 December 2023 and 31 December 2022, no remuneration was paid to key management personnel from within this Group and therefore no key management personnel compensation is disclosable.

### Audit fees

During the year, the Group obtained the following services from the Company's auditors, Ernst & Young S.A. and its associates:

\$m	2023	2022
Statutory audit of financial statements including the audit of the consolidated financial statements	2.3	2.4
Other assurance services	-	0.4
<b>Total fees paid to the auditors</b>	<b>2.3</b>	<b>2.8</b>

## 4. Finance income and costs (continuing operations)

\$m	Note	2023	2022*
Bank interest		1.8	0.1
Interest on net pension scheme assets	19	1.6	3.1
Other finance income		0.8	1.1
<b>Total finance income</b>		<b>4.2</b>	<b>4.3</b>
Interest on bank overdrafts and loans		(187.0)	(120.4)
Interest on lease obligations	15	(5.1)	(5.4)
Other finance expense		(15.0)	(14.1)
<b>Total finance costs</b>		<b>(207.1)</b>	<b>(139.9)</b>
<b>Net finance costs</b>		<b>(202.9)</b>	<b>(135.6)</b>

\* Re-presented to reflect the change in presentation of discontinued operations on a basis consistent with the current year as set out in Note 1.

## 5. Taxation

### Tax included in Income Statement (continuing operations)

\$m	2023	2022*
(Charge)/credit for the year	(15.1)	30.2
Adjustments to tax charge in respect of prior years	-	-
<b>Current tax</b>	<b>(15.1)</b>	<b>30.2</b>
Credit for the year	25.8	10.1
Adjustments to tax charge in respect of prior years	(1.8)	15.7
<b>Deferred tax</b>	<b>24.0</b>	<b>25.8</b>
<b>Total tax credit for the year</b>	<b>8.9</b>	<b>56.0</b>

\* Re-presented to reflect the change in presentation of discontinued operations on a basis consistent with the current year as set out in Note 1.

Income tax is calculated on the estimated assessable profit for the year at the rates prevailing in the relevant tax jurisdiction.

## AI Convoy (Luxembourg) S.à r.l.

The total tax credit for the year can be reconciled to the accounting result as follows:

	<b>2023</b>	2022*
<b>\$m</b>	<b>Total</b>	Total
Loss before tax from continuing operations	<b>(178.2)</b>	(154.5)
Tax thereon at the Luxembourg tax rate of 24.94%	<b>44.4</b>	38.5
Effect of differences in overseas tax rates	<b>(1.4)</b>	(11.7)
Impact of tax treatment of divestments	<b>(0.9)</b>	27.4
Non-deductible interest	<b>(41.7)</b>	(13.8)
Expenditure qualifying for additional R&D tax relief	<b>6.6</b>	3.8
Adjustments to tax charge in respect of prior years	<b>(1.8)</b>	15.7
Impact of other items	<b>3.7</b>	(3.9)
<b>Total tax credit for the year</b>	<b>8.9</b>	56.0

\* Re-presented to reflect the change in presentation of discontinued operations on a basis consistent with the current year as set out in Note 1.

Impact of other items in the table above includes tax arising on intra-group restructuring and expenses which are not deductible for tax purposes.

### Tax included in OCI

<b>\$m</b>	<b>2023</b>	2022
Items that will not be reclassified subsequently to profit or loss		
Actuarial loss on retirement benefit obligations	<b>(2.4)</b>	(27.8)
	<b>(2.4)</b>	(27.8)

### Current tax assets and liabilities

<b>\$m</b>	<b>2023</b>	2022
Current tax receivables	<b>0.1</b>	1.1
Current tax liabilities	<b>-</b>	(3.2)
	<b>0.1</b>	(2.1)

### Current tax risks (key estimation uncertainty)

The Group is subject to corporate and other tax rules in the jurisdictions where it conducts its business operations. Changes in tax rates, tax reliefs and tax laws, changes in practice or interpretation of the law by the relevant tax authorities, increasing challenges by relevant tax authorities on transfer pricing and other matters, or any failure to manage tax risks adequately could result in increased charges, financial loss, penalties and reputational damage, which may materially adversely affect the Group's financial condition and results of operations.

In addition, tax enforcement has become a higher priority for many tax authorities in jurisdictions in which the Group operates, which has led to an increase in tax audits, enquiries and challenges, or the testing through litigation of the boundaries of the correct interpretation of legislation. Tax authorities may also actively pursue additional taxes based on retroactive changes to tax laws and the Group may have disagreements with tax authorities which could result in a material reassessment of the tax position.

The Group has accrued \$Nil (2022: \$Nil) in respect of uncertain tax positions in the UK, US and other tax jurisdictions and \$nil (2022: \$nil) related to interest on uncertain tax positions as shown in note 16. Final resolutions will affect the amounts settled and the timing of any settlements. Whilst resolution remains uncertain, these amounts are included in current liabilities.

### Deferred tax assets and liabilities

<b>\$m</b>	<b>2023</b>	2022
Deferred tax assets	<b>(84.1)</b>	(20.9)
Deferred tax liabilities	<b>-</b>	107.9
<b>Net deferred tax (assets)/liabilities</b>	<b>(84.1)</b>	87.0

## AI Convoy (Luxembourg) S.à r.l.

The following are the major deferred tax assets and liabilities recognised by the Group and the movements thereon:

<b>\$m</b>	Intangible assets	Owned property, plant and equipment	Retirement benefit obligations	Tax losses	Other	Total liability/ (asset)
At 1 January 2022	238.8	27.9	33.9	(17.4)	(63.7)	219.5
(Credit)/charge to income statement - continuing operations *	(22.0)	5.4	1.8	(17.1)	6.1	(25.8)
(Credit)/charge to income statement - discontinued operations *	-	-	-	-	(12.7)	(12.7)
Credit to OCI	-	-	(27.8)	-	-	(27.8)
Business divestments	(11.7)	(12.2)	0.5	2.6	0.8	(20.0)
Reclassified as held for sale	(62.1)	(7.2)	-	-	29.8	(39.5)
Foreign exchange adjustments	(4.1)	(0.7)	(3.1)	0.5	0.7	(6.7)
<b>At 31 December 2022</b>	<b>138.9</b>	<b>13.2</b>	<b>5.3</b>	<b>(31.4)</b>	<b>(39.0)</b>	<b>87.0</b>
(Credit)/charge to income statement - continuing operations	<b>23.9</b>	<b>(17.4)</b>	<b>1.5</b>	<b>8.4</b>	<b>(40.4)</b>	<b>(24.0)</b>
Charge to income statement - discontinued operations	-	-	-	-	<b>0.9</b>	<b>0.9</b>
Credit to OCI	-	-	<b>(2.4)</b>	-	-	<b>(2.4)</b>
Business combinations	<b>(0.9)</b>	-	-	-	-	<b>(0.9)</b>
Business divestments	<b>(122.1)</b>	<b>(12.8)</b>	-	-	<b>33.9</b>	<b>(101.0)</b>
Reclassified as held for sale	<b>(48.5)</b>	-	<b>0.6</b>	<b>(0.6)</b>	<b>5.0</b>	<b>(43.5)</b>
Foreign exchange adjustments	-	-	<b>0.3</b>	<b>(0.4)</b>	<b>(0.1)</b>	<b>(0.2)</b>
<b>At 31 December 2023</b>	<b>(8.7)</b>	<b>(17.0)</b>	<b>5.3</b>	<b>(24.0)</b>	<b>(39.7)</b>	<b>(84.1)</b>

\* Re-presented to reflect the change in presentation of discontinued operations on a basis consistent with the current year as set out in Note 1.

Other deferred tax assets and liabilities shown above include balances arising from temporary differences in relation to provisions and accruals of \$24.5m (2022: \$22.2m).

### Tax losses (key estimation uncertainty)

Tax losses of \$18.7m (2022: \$23.2m) arising in Denmark and \$5.3m (2022: \$8.2m) arising in other overseas tax jurisdictions have been recognised on the basis of forecasted future taxable profits. The recognition of these tax losses can be sensitive to movement in these forecasted profits. As an indication of sensitivity, a 33% reduction in the estimated profits would not impact the recognition of these tax losses.

### Pillar Two model framework

During 2023 the Luxembourg Government enacted legislation introducing a global minimum corporate income tax rate, to have effect from 2024 in line with the Organisation for Economic Co-operation and Development (OECD) Pillar Two framework. We anticipate that the rules will not have a significant impact on our effective tax rate.

We have tax losses in the UK of \$190.6m (2022: \$177.4m) for which no deferred tax asset is being recognised as we don't expect to have sufficient taxable profits to use them.

### Unremitted earnings

The unprovided tax on unremitted earnings as at 31 December 2023 and 31 December 2022 is considered to be immaterial.

## 6. Cash flow from operations

\$m	Note	2023	2022*
<b>Operating activities</b>			
Loss before tax from continuing operations		<b>(178.2)</b>	(154.5)
Profit/(loss) before tax from discontinued operations	25a	<b>975.0</b>	(30.5)
Profit/(loss) before tax		<b>796.8</b>	(185.0)
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation	7, 8	<b>108.9</b>	197.1
Loss on sale of property, plant and equipment and intangible assets		<b>0.5</b>	0.1
Loss on divestments of subsidiary undertakings	25	<b>3.8</b>	12.8
(Profit)/loss on divestment of discontinued operations	25	<b>(922.5)</b>	80.4
Derivative financial instruments		<b>(12.6)</b>	(0.4)
Finance income		<b>(5.2)</b>	(4.7)
Finance costs		<b>213.1</b>	172.0
Pension contributions in excess of pension charges	19	<b>3.8</b>	(4.6)
Decrease in provisions		<b>(6.6)</b>	(5.0)
Working capital changes:			
Decrease/(increase) in inventories		<b>5.9</b>	(39.8)
Increase in contract assets		<b>(65.5)</b>	(10.8)
Decrease/(increase) in trade and other receivables		<b>14.7</b>	(20.5)
Decrease in contract liabilities		<b>(4.4)</b>	(19.7)
Increase in trade and other payables		<b>37.7</b>	26.7
<b>Cash generated from operations</b>		<b>168.4</b>	198.6
Tax paid		<b>(20.4)</b>	(30.2)
Interest paid		<b>(197.9)</b>	(145.3)
Interest received		<b>3.2</b>	0.4
<b>Net cash (used in)/from operating activities</b>		<b>(46.7)</b>	23.5

\* Re-presented to reflect the change in presentation of discontinued operations on a basis consistent with the current year as set out in Note 1.

## 7. Intangible assets

\$m	Goodwill	Customer relationships	Technology based assets	Order book and trade names	Development costs	Software and other	Total
<b>Cost</b>							
At 1 January 2022	919.7	591.1	430.1	325.4	70.8	21.1	2,358.2
Additions	-	-	-	-	28.8	5.4	34.2
Business divestments	(93.6)	(28.7)	(19.4)	(24.1)	-	(5.3)	(171.1)
Reclassified as held for sale	(309.0)	(175.3)	(105.7)	(81.5)	(22.4)	(2.0)	(695.9)
Foreign exchange adjustments	(8.5)	(8.2)	(4.7)	(1.5)	(0.2)	(6.8)	(29.9)
<b>At 31 December 2022</b>	<b>508.6</b>	<b>378.9</b>	<b>300.3</b>	<b>218.3</b>	<b>77.0</b>	<b>12.4</b>	<b>1,495.5</b>
Recognised on business combinations (note 24)	<b>74.0</b>	<b>86.7</b>	<b>23.5</b>	<b>16.2</b>	-	<b>2.6</b>	<b>203.0</b>
Additions	-	-	-	-	<b>20.0</b>	<b>3.7</b>	<b>23.7</b>
Reclassified as held for sale	<b>(140.7)</b>	<b>(138.5)</b>	<b>(90.1)</b>	<b>(29.2)</b>	<b>(34.8)</b>	<b>(3.8)</b>	<b>(437.1)</b>
Derecognitions and disposals	-	-	-	<b>(79.0)</b>	-	<b>(2.9)</b>	<b>(81.9)</b>
Foreign exchange adjustments	-	-	-	-	<b>1.0</b>	<b>0.3</b>	<b>1.3</b>
<b>At 31 December 2023</b>	<b>441.9</b>	<b>327.1</b>	<b>233.7</b>	<b>126.3</b>	<b>63.2</b>	<b>12.3</b>	<b>1,204.5</b>
<b>Accumulated amortisation and impairment</b>							
At 1 January 2022	-	65.9	83.5	102.4	1.0	3.1	255.9
Amortisation charge for the year	-	29.1	36.3	41.5	9.1	6.2	122.2
Eliminated on business divestments	-	(3.2)	(5.5)	(7.2)	-	-	(15.9)
Reclassified as held for sale	-	(24.1)	(24.2)	(27.0)	-	(2.0)	(77.3)
Foreign exchange adjustments	-	-	-	0.2	0.1	(6.1)	(5.8)
<b>At 31 December 2022</b>	<b>-</b>	<b>67.7</b>	<b>90.1</b>	<b>109.9</b>	<b>10.2</b>	<b>1.2</b>	<b>279.1</b>
Amortisation charge for the year	-	<b>19.5</b>	<b>25.1</b>	<b>17.0</b>	<b>4.2</b>	<b>3.9</b>	<b>69.7</b>
Reclassified as held for sale	-	<b>(33.8)</b>	<b>(40.8)</b>	<b>(14.5)</b>	<b>(2.1)</b>	<b>(2.9)</b>	<b>(94.1)</b>
Derecognitions and disposals	-	-	-	<b>(79.0)</b>	-	<b>(2.5)</b>	<b>(81.5)</b>
Foreign exchange adjustments	-	-	-	-	<b>0.1</b>	<b>0.3</b>	<b>0.4</b>
<b>At 31 December 2023</b>	<b>-</b>	<b>53.4</b>	<b>74.4</b>	<b>33.4</b>	<b>12.4</b>	<b>-</b>	<b>173.6</b>
<b>Carrying amount</b>							
<b>At 31 December 2023</b>	<b>441.9</b>	<b>273.7</b>	<b>159.3</b>	<b>92.9</b>	<b>50.8</b>	<b>12.3</b>	<b>1,030.9</b>
At 31 December 2022	508.6	311.2	210.2	108.4	66.8	11.2	1,216.4

## AI Convoy (Luxembourg) S.à r.l.

Customer relationships represent customer lists, customer contracts and the associated benefits of customer relationships recognised on acquisition. Technology based assets represent trade secrets and processes, patented and unpatented technology, and know-how recognised on acquisition.

Derecognition of intangible assets recognised on business combinations occurs when assets are fully amortised.

### Goodwill

Goodwill represents the premium paid on acquisitions in anticipation of future economic benefits from assets that are not capable of being separately identified and separately recognised, such as the value of the workforce, and is the only indefinite life intangible asset held by the Group. Goodwill must be allocated to CGUs for the purposes of reporting and accounting. CGUs are defined at the Sector level.

The carrying value of goodwill is allocated to the following Sectors:

<b>\$m</b>	<b>2023</b>	<b>2022</b>
Communications and Connectivity	<b>51.4</b>	192.1
Advanced Electronic Solutions	<b>390.5</b>	316.5
<b>Total</b>	<b>441.9</b>	508.6

### Annual impairment review (key estimation uncertainty)

A review of the carrying value of goodwill is completed at least once a year to ensure that it is not impaired. This requires estimation of the recoverable amounts of the CGUs to which the goodwill is allocated. This is determined from value in use calculations unless specific conditions at a CGU dictate otherwise.

Impairment tests on other intangible assets are undertaken if events occur which may indicate that these assets may be impaired. The carrying value of intangible assets is considered annually as part of the goodwill impairment exercise with reference to the value in use calculation of each CGU.

Estimating value in use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. This is considered to be a source of estimation uncertainty at the balance sheet date, which may have a significant risk of causing a material adjustment to the carrying amount of intangible assets within the next financial year.

### Key assumptions

The calculation of recoverable value for CGUs based on value in use includes the following key assumptions:

- Cash flow forecasts prepared by management and reviewed by the Board covering a five year period, updated where appropriate for more recent forecasts. These forecasts take into account the current and expected economic environment including factors such as continued uncertainty, within some markets in which we operate. They also make assumptions about the demand for our products in our primary geographical markets, based on historic experience, available government spending and key current and future programme platforms. These cash flow projections do not include benefits or costs expected to arise from future restructuring or initiatives to enhance performance which have not yet commenced;
- Growth rates assumed after this period are based on long term GDP projections of the primary market for each business. The long term projections used are in the range 2.1% to 2.3% (2022: 2.1% to 2.2%);
- Cash flows are discounted using the Group's WACC, adjusted for country, cash flow and currency risks in the principal territories in which the CGU operates. These pre-tax discount rates are within the range 13.0% to 13.3% (2022: 12.8% to 13.4%); and
- Cash flows include the impact of working capital and fixed asset requirements.

### Sensitivity analysis

Sensitivity analysis has been performed on the CGUs, as described below:

<b>CGU</b>	<b>Key financial assumptions</b>	<b>Cash flow dependencies</b>	<b>Sensitivity analysis</b>
<b>Communications and Connectivity</b>	Projected cash flows for the next five years, with subsequent growth assumed at a rate of 2.3% were discounted at a pre-tax rate of 13.0%.	Cash flow projections assume growth in the satellite communications market for maritime products driven by availability of satellite capacity and aerospace products from regulatory changes and passenger connectivity demands.	If cash flows reduced by 20%, the discount rate increased by 200 basis points, or if the growth rate was zero, then no impairment losses would arise.
<b>Advanced Electronic Solutions</b>	Projected cash flows for the next five years, with subsequent growth assumed at a rate of 2.1% were discounted at a pre-tax rate of 13.3%.	Cash flow projections assume a production ramp up on development programmes and successful execution of order backlog.	If cash flows reduced by 20%, the discount rate increased by 200 basis points, or if the growth rate was zero, then no impairment losses would arise.

## 8. Property, plant and equipment

\$m	2023	2022
Owned property, plant and equipment	156.5	142.6
Right-of-use assets	61.9	73.6
	<b>218.4</b>	216.2

### Owned property, plant and equipment

\$m	Land and buildings	Plant and machinery (including aircraft and vehicles)	Fixtures, fittings, tools and equipment	Assets under construction	Total
<b>Cost</b>					
At 1 January 2022	100.8	294.8	49.5	44.0	489.1
Additions	5.5	60.4	1.1	23.9	90.9
Business divestments	(8.3)	(177.2)	(10.2)	(13.4)	(209.1)
Disposals	(0.2)	(13.6)	(3.4)	(0.3)	(17.5)
Reclassified as held for sale	(45.9)	(66.4)	(14.0)	(6.4)	(132.7)
Foreign exchange adjustments	(4.9)	(26.4)	(3.4)	(2.3)	(37.0)
Reclassifications	17.7	10.6	12.1	(40.4)	-
At 31 December 2022	<b>64.7</b>	<b>82.2</b>	<b>31.7</b>	<b>5.1</b>	<b>183.7</b>
Additions	1.5	8.6	8.6	5.0	23.7
Acquired with business combinations (note 24)	14.0	16.3	0.1	-	30.4
Disposals	(0.8)	-	(0.5)	(0.1)	(1.4)
Reclassified as held for sale	(0.8)	(12.8)	(7.6)	-	(21.2)
Foreign exchange adjustments	-	0.5	0.2	-	0.7
Reclassifications	2.7	2.7	1.3	(6.7)	-
At 31 December 2023	<b>81.3</b>	<b>97.5</b>	<b>33.8</b>	<b>3.3</b>	<b>215.9</b>
<b>Accumulated depreciation</b>					
At 1 January 2022	11.0	85.6	14.8	-	111.4
Depreciation charge for the year	20.4	25.6	7.4	-	53.4
Eliminated on business divestments	(5.2)	(48.4)	(1.3)	-	(54.9)
Eliminated on disposals	(0.1)	(13.4)	(2.6)	-	(16.1)
Reclassified as held for sale	(7.4)	(25.3)	(3.6)	-	(36.3)
Foreign exchange adjustments	(0.6)	(13.6)	(2.2)	-	(16.4)
At 31 December 2022	<b>18.1</b>	<b>10.5</b>	<b>12.5</b>	-	<b>41.1</b>
Depreciation charge for the year	4.8	12.4	9.3	-	26.5
Eliminated on disposals	(0.8)	-	-	-	(0.8)
Reclassified as held for sale	(0.2)	(3.1)	(4.5)	-	(7.8)
Foreign exchange adjustments	-	0.3	0.1	-	0.4
At 31 December 2023	<b>21.9</b>	<b>20.1</b>	<b>17.4</b>	-	<b>59.4</b>
<b>Carrying amount</b>					
At 31 December 2023	<b>59.4</b>	<b>77.4</b>	<b>16.4</b>	<b>3.3</b>	<b>156.5</b>
At 31 December 2022	46.6	71.7	19.2	5.1	142.6

Land and buildings above include freehold land and buildings with a carrying value of \$39.0m (2022: \$25.9m) and improvements to leasehold land and buildings of \$20.4m (2022: \$20.7m) respectively.

At 31 December 2023, the Group had commitments for the acquisition of property, plant and equipment of \$3.0m (2022: \$2.7m).

## AI Convoy (Luxembourg) S.à r.l.

### Right-of-use assets

	Land and buildings	Plant and machinery (including aircraft and vehicles)	Fixtures, fittings, tools and equipment	Total
<b>\$m</b>				
At 1 January 2022	110.5	55.1	0.3	165.9
Additions	8.6	25.7	0.3	34.6
Business divestments	-	(72.8)	(0.2)	(73.0)
Disposals	(7.9)	-	(0.1)	(8.0)
Reclassified as held for sale	(15.9)	(0.1)	-	(16.0)
Depreciation	(21.1)	(0.4)	-	(21.5)
Foreign exchange adjustments	(0.9)	(7.5)	-	(8.4)
At 31 December 2022	<b>73.3</b>	-	<b>0.3</b>	<b>73.6</b>
Additions	<b>8.0</b>	-	-	<b>8.0</b>
Acquired with business combinations (note 24)	<b>0.3</b>	-	-	<b>0.3</b>
Disposals	<b>(0.6)</b>	-	-	<b>(0.6)</b>
Reclassified as held for sale	<b>(6.5)</b>	-	<b>(0.2)</b>	<b>(6.7)</b>
Depreciation	<b>(12.6)</b>	-	<b>(0.1)</b>	<b>(12.7)</b>
At 31 December 2023	<b>61.9</b>	-	-	<b>61.9</b>

## 9. Inventories

<b>\$m</b>	<b>2023</b>	2022
Raw materials and consumables	<b>68.6</b>	98.5
Work in progress	<b>13.1</b>	22.0
Finished goods and goods for resale	<b>36.8</b>	48.4
Allowance for obsolescence	<b>(18.5)</b>	(22.9)
	<b>100.0</b>	146.0

All inventory is expected to be realised within the normal operating cycle of the businesses.

### Obsolescence provision (key estimation uncertainty)

The nature of much of the Group's business means that inventory held can become technically obsolete. It is also necessary to hold additional spare parts in order to support key customers and programmes. Assessing the level of provision required for obsolete, slow moving and defective items of inventory is an area of estimation uncertainty which may have a significant effect on the carrying amount of inventory within the next financial year.

This allowance is reviewed by management on a regular basis and further amounts are provided or released as considered necessary. The amounts are generally determined based on factors which include ageing and known demand, reflecting assumptions concerning future orders and revenue streams. Subsequent events may give rise to these estimates being revised and, consequently, to the reversal of amounts previously provided.

The amount provided in the year represents the outcome of the key sensitivity, being changes in forecast customer demand against which production has been planned or undertaken. A 10% deterioration in the assumed immediate forecast demand would lead to an increased provision in the order of \$4m (2022: \$5m).

## 10. Financial instruments

The Group's financial assets and liabilities are categorised as follows:

\$m	Note	At amortised cost	Fair value through profit or loss	Total carrying amount	Fair value
Financial assets					
Contract assets	11	157.2	-	157.2	157.2
Trade receivables	12	42.8	-	42.8	42.8
Other receivables	12	7.8	-	7.8	7.8
Cash and cash equivalents		172.7	-	172.7	172.7
Derivative contracts (not hedge accounted)	18	-	12.7	12.7	12.7
Financial liabilities					
Borrowings	14	(1,973.4)	-	(1,973.4)	(1,973.4)
Trade payables	16	(120.3)	-	(120.3)	(120.3)
Accruals	16	(61.4)	-	(61.4)	(61.4)
Other financial liabilities	16	(47.9)	-	(47.9)	(47.9)
<b>Net financial liabilities at 31 December 2023</b>		<b>(1,822.5)</b>	<b>12.7</b>	<b>(1,809.8)</b>	<b>(1,809.8)</b>
Financial assets					
Contract assets	11	82.6	-	82.6	82.6
Trade receivables	12	56.6	-	56.6	56.6
Loans and other receivables	12	15.1	-	15.1	15.1
Cash and cash equivalents		232.6	-	232.6	232.6
Derivative contracts (not hedge accounted)	18	-	0.9	0.9	0.9
Financial liabilities					
Borrowings	14	(2,129.3)	-	(2,129.3)	(2,129.3)
Trade payables	16	(106.3)	-	(106.3)	(106.3)
Accruals	16	(60.6)	-	(60.6)	(60.6)
Other financial liabilities	16	(64.8)	-	(64.8)	(64.8)
Derivative contracts (not hedge accounted)	18	-	(1.2)	(1.2)	(1.2)
<b>Net financial liabilities at 31 December 2022</b>		<b>(1,974.1)</b>	<b>(0.3)</b>	<b>(1,974.4)</b>	<b>(1,974.4)</b>

Borrowings are held at amortised cost which equates to fair value for the Group's floating rate borrowings. The fair value of derivative financial instruments have been determined by reference to observable market prices and rates. As shown in the table above, fair value approximates the carrying amount due to the short-term maturities of these instruments. The above assets and liabilities fall within Level 2 of the fair value hierarchy as described in IFRS 13, Fair Value Measurement.

Gains and losses on derivative financial assets and liabilities held at fair value through profit or loss are shown in note 18.

### Offsetting financial assets and liabilities

Cash and cash equivalents as shown in the Balance Sheet include overdraft balances on currency cash pooling accounts which have been offset as the accounts will be settled on a net basis as described in note 20. Master netting agreements also cover all bank balances and derivative balances with the same counterparty. These do not meet the criteria for offsetting because the right to offset is only enforceable on the occurrence of future events such as a default and amounts presented in the Balance Sheet are therefore presented on a gross basis.



## AI Convoy (Luxembourg) S.à r.l.

If full offsetting by counterparty were to be applied, the resulting net amounts would be as follows:

<b>\$m</b>	Gross amounts before set off	Amounts set off in the Balance Sheet	Amounts as presented in the Balance Sheet	Amounts not set off in the Balance Sheet	Net amount
Financial assets					
Cash and cash equivalents	<b>205.0</b>	<b>(32.3)</b>	<b>172.7</b>	-	<b>172.7</b>
Derivative financial assets	<b>12.7</b>	-	<b>12.7</b>	-	<b>12.7</b>
Financial liabilities					
Bank overdrafts	<b>(32.3)</b>	<b>32.3</b>	-	-	-
<b>At 31 December 2023</b>	<b>185.4</b>	-	<b>185.4</b>	-	<b>185.4</b>

Financial assets					
Cash and cash equivalents	446.5	(213.9)	232.6	-	232.6
Derivative financial assets	0.9	-	0.9	(0.9)	-
Financial liabilities					
Bank overdrafts	(213.9)	213.9	-	-	-
Derivative financial liabilities	(1.2)	-	(1.2)	0.9	(0.3)
<b>At 31 December 2022</b>	<b>232.3</b>	-	<b>232.3</b>	-	<b>232.3</b>

## 11. Contract balances

### Contract assets

<b>\$m</b>	<b>2023</b>	2022
Within current assets	<b>156.0</b>	80.6
Within non-current assets	<b>1.2</b>	2.0
	<b>157.2</b>	82.6
<b>\$m</b>	<b>2023</b>	2022
Unbilled amounts related to goods and services transferred	<b>157.2</b>	82.6
	<b>157.2</b>	82.6

Unbilled amounts related to goods and services transferred are included in contract balances until they become unconditional, at which point they are transferred to trade receivables. Unbilled amounts arise when revenue is recognised prior to an invoice being raised to the customer; typically this arises when revenue is recognised over time as payments often have milestone payments conditional on customer acceptances on progress.

During the year, \$70.1m (2022: \$75.9m) of the contract assets as at the beginning of the year were transferred to trade receivables and \$Nil (2022: \$68.8m) related to businesses divested during the year; additional amounts of \$67.3m (2022: \$26.7m) were recognised as a contract asset during the year as a result of changes in the measure of progress of the satisfaction of performance obligations.

### Contract liabilities

<b>\$m</b>	<b>2023</b>	2022
Advance payments from customers	<b>33.9</b>	38.4
Expected refunds to customers	-	0.6
	<b>33.9</b>	39.0

Advance payments from customers relate to amounts received prior to transferring goods or services to the customer. \$Nil (2022: \$20.5m) of the opening balance related to businesses divested during the year.

## 12. Trade and other receivables

### Current

<b>\$m</b>	<b>2023</b>	2022
Trade receivables (net of allowance for expected credit losses)	<b>41.9</b>	56.4
Other receivables	<b>2.6</b>	11.3
Prepayments	<b>22.3</b>	20.7
	<b>66.8</b>	88.4

## AI Convoy (Luxembourg) S.à r.l.

<b>Non-current</b>		
<b>\$m</b>	<b>2023</b>	<b>2022</b>
Trade receivables (net of allowance for expected credit losses)	<b>0.9</b>	0.2
Loans and other receivables	<b>5.2</b>	3.8
	<b>6.1</b>	4.0

<b>Impairment of trade receivables</b>		
<b>\$m</b>	<b>2023</b>	<b>2022</b>
Trade receivables	<b>44.6</b>	58.5
Allowance for expected credit losses	<b>(1.8)</b>	(1.9)
Net trade receivables	<b>42.8</b>	56.6

Movements in the allowance for expected credit losses for trade receivables during the year are as follows:

<b>\$m</b>	<b>2023</b>	<b>2022</b>
At 1 January	<b>(1.9)</b>	(1.9)
Additional provision for expected credit losses	<b>(1.8)</b>	(2.5)
Acquired on business combinations	<b>(0.4)</b>	-
Trade receivables written off during the year	<b>1.3</b>	1.3
Unused amounts reversed	<b>0.9</b>	1.0
Reclassified as held for sale	<b>0.1</b>	0.2
At 31 December	<b>(1.8)</b>	(1.9)

Provisions for credit losses were recognised during the year in relation to amounts receivable from specific customers. Where there has been a significant increase in the risk that amounts past due will not be paid, full provision for additional credit losses is made.

The Group has limited exposure to credit risk and has not experienced significant levels of credit losses during the current or previous years. At 31 December 2023, provisions for expected credit losses were required for 4% (2022: 3%) of gross trade receivables. Information concerning management of credit risk is shown in note 20. A significant proportion of the Group's business is directly with government agencies or in respect of large government funded military programmes, where credit risk is considered to remain low.

Other classes of financial assets within trade and other receivables do not include any overdue or impaired assets.

The Group is using a non-recourse factoring scheme for certain of its receivables. Receivables subject to this arrangement are fully derecognised from the Balance Sheet as soon as their acceptance is validated by the factoring company and all risks and rewards are transferred.

As at 31 December 2023, the balances of derecognised factored receivables of the Group amounted to \$128.5m (2022: \$155.4m) and they were structured by currency as follows:

<b>\$m</b>	<b>2023</b>	<b>2022</b>
US Dollars	<b>128.5</b>	148.2
Euro	-	7.2
	<b>128.5</b>	155.4

In addition to the above, as at 31 December 2023 there were derecognised factored receivables of \$36.5m (structured US\$ 22.8m and Euro \$13.7m) associated with assets held for sale.

### 13. Non-current assets and disposal groups held for sale

In July 2023, an agreement to sell the Aerospace Communications business was agreed, subject to regulatory approvals. As a result, the assets and liabilities of that business were classified as held for sale as at 31 December 2023. They were measured at lower of carrying amount and fair value less costs to sell. In September 2022, an agreement to sell the CAES Space business was agreed, subject to regulatory approvals. As a result, the assets and liabilities of that business were classified as held for sale as at 31 December 2022.

\$m	Note	2023	2022
Intangible assets	7	343.0	618.6
Property, plant and equipment	8	20.1	112.4
Inventories		50.4	65.4
Contract assets		0.1	79.3
Trade and other receivables		19.2	83.8
Current tax		0.3	19.1
Deferred tax	5	5.5	-
Cash and cash equivalents		-	2.7
<b>Total assets classified as held for sale</b>		<b>438.6</b>	<b>981.3</b>
Lease obligations	14	(6.1)	(21.5)
Contract liabilities		(6.4)	(20.8)
Trade and other payables		(48.5)	(52.7)
Provisions	17	(5.8)	(3.5)
Current tax		(4.2)	(0.1)
Deferred tax	5	(49.0)	(39.5)
Derivative financial instruments		(0.3)	-
<b>Total liabilities associated with assets classified as held for sale</b>		<b>(120.3)</b>	<b>(138.1)</b>
<b>Total held for sale</b>		<b>318.3</b>	<b>843.2</b>

### 14. Borrowings

\$m	2023	2022
<b>Current borrowings</b>		
Bank loans	1.6	7.7
Other borrowings	332.2	-
	<b>333.8</b>	7.7
<b>Non-current borrowings</b>		
Bank loans	1,569.6	2,121.6
Loan from shareholders of a parent company	70.0	-
	<b>1,639.6</b>	2,121.6
<b>Total borrowings</b>	<b>1,973.4</b>	2,129.3

#### Bank loans

Bank loans comprise the following:

\$m	Agreement date	Maturity date	2023	2022
Floating rates				
1 <sup>st</sup> Lien 7 year Term Loan of US\$1,188m at inception	17 January 2020	17 January 2027	130.0	703.9
2 <sup>nd</sup> Lien 8 year Term Loan of US\$672m at inception	17 January 2020	17 January 2028	633.0	647.4
1 <sup>st</sup> Lien 7 year Term Loan of €885m at inception	17 January 2020	17 January 2027	808.2	778.0
			<b>1,571.2</b>	2,129.3

<b>Loan from the shareholders of a parent company</b>	27 September 2023	27 September 2028	<b>70.0</b>	-
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As a result of IBOR Reform during the year ended 31 December 2023, Term SOFR replaced US Dollar LIBOR as the benchmark rate on US Dollar floating rate borrowings. Therefore, as at 31 December 2023, US Dollar floating rate borrowings accrue interest at Term SOFR plus margin; Euro floating rate borrowings continue to accrue interest at EURIBOR plus margin.

Bank overdrafts are repayable on demand and accrue interest at floating rates.

## AI Convoy (Luxembourg) S.à r.l.

### Other borrowings

Other borrowings comprise the following:

\$m	Agreement date	Maturity date	Amount drawn		Undrawn facilities	
			2023	2022	2023	2022
Floating rates						
1 <sup>st</sup> Lien 5.5 year Revolving Credit Facility of US\$350m	17 January 2020	17 July 2025	332.2	-	17.8	350.0
			332.2	-	17.8	350.0

During the year ended 31 December 2023, under the terms of the Revolving Credit Facility, there were several drawdowns totalling \$445.9m (comprising €331.2m in Euros, equivalent to \$358.4m and \$87.5m in US Dollars) and repayments totalling \$119.1m (comprising €91.5m in Euros, equivalent to \$99.1m and \$20.0m in US Dollars). (2022: \$148.4m was drawn down under the Revolving Credit Facility which was all repaid during the year.

At 31 December 2023, the total drawn down under the facility comprised €239.7m in Euros, equivalent to \$264.7m; and \$67.5m in US Dollars.

### Reconciliation of movements in net debt

Net debt is defined as the net of borrowings less cash and cash equivalents at the balance sheet date.

\$m	Cash and cash equivalents	Bank overdrafts	Bank loans	Liabilities from financing activities			Net debt
				Loan from the shareholders of a parent company	Other borrowings	Lease obligations	
At 1 January 2022	279.2	(89.1)	(2,177.5)	-	-	(183.9)	(2,171.3)
Divested	-	-	-	-	-	61.0	61.0
Net flows cash and cash equivalents and bank overdrafts	(38.9)	89.1	-	-	-	-	50.2
New borrowings	-	-	-	-	(148.4)	(31.0)	(179.4)
Repayment of borrowings	-	-	7.7	-	148.4	36.3	192.4
Other lease changes	-	-	-	-	-	(1.2)	(1.2)
Amortisation of capitalised interest charges	-	-	(10.3)	-	-	-	(10.3)
Transfer to Held for Sale	(2.7)	-	-	-	-	21.5	18.8
Foreign exchange adjustments	(5.0)	-	50.8	-	-	8.1	53.9
At 31 December 2022	232.6	-	(2,129.3)	-	-	(89.2)	(1,985.9)
Acquired on business combination	-	-	-	-	-	(0.3)	(0.3)
Divestment of cash in Held for Sale	2.7	-	-	-	-	-	2.7
Net flows cash and cash equivalents and bank overdrafts	(57.5)	-	-	-	-	-	(57.5)
New borrowings	-	-	-	(70.0)	(445.9)	(7.9)	(523.8)
Repayment of borrowings	-	-	599.9	-	119.1	17.3	736.3
Other lease changes	-	-	-	-	-	(0.5)	(0.5)
Amortisation of capitalised interest charges	-	-	(14.5)	-	-	-	(14.5)
Transfer to Held for Sale	-	-	-	-	-	6.1	6.1
Foreign exchange adjustments	(5.1)	-	(27.3)	-	(5.4)	0.1	(37.7)
At 31 December 2023	172.7	-	(1,571.2)	(70.0)	(332.2)	(74.4)	(1,875.1)

During the year ended 31 December 2023, an interest-bearing loan of \$70.0m was received from the shareholders of AI Convoy (Luxembourg) Holdings S.a.r.l, a parent undertaking. Interest accrues on an arm's length basis and in the period to 31 December 2023 amounted to \$1.6m. \$580.7m in respect of the 1st Lien US\$ loan was repaid and \$19.2m in respect of the 2nd Lien US\$ loan was repaid. During the year ended 31 December 2022, \$7.7m in respect of the 1st Lien US\$ was repaid.

### Cash and cash equivalents

Cash and cash equivalents comprise balances at banks which earn interest based on floating daily bank rates. Cash and cash equivalents on the Balance Sheet include \$18.6m (2022: \$9.9m) restricted cash which is held for specific purposes and can only be accessed in certain situations.

### Financial covenants

The various borrowing agreements include both financial and non-financial covenants and are secured by various Group assets. Terms of the financial covenants are based on adjusted IFRS results, as defined in the agreements. There have been no breaches of the terms of the borrowing agreements or defaults during the year.

## 15. Lease obligations

The Group had the following lease obligations as lessee:

\$m	2023	2022
Current	7.4	12.5
Non-current	67.0	76.7
	74.4	89.2

## AI Convoy (Luxembourg) S.à r.l.

Other information related to leases:

<b>\$m</b>	<b>2023</b>	2022*
Interest on lease liabilities	<b>5.1</b>	5.4
Expenses related to short-term leases	<b>0.1</b>	0.1
Expenses related to leases of low value assets	<b>0.6</b>	1.4

\* Re-presented to reflect the change in presentation of discontinued operations on a basis consistent with the current year as set out in Note 1.

The Group has no material leases which include extension or termination options.

## 16. Trade and other payables

### Current liabilities

<b>\$m</b>	<b>2023</b>	2022
Trade payables	<b>120.3</b>	105.3
Other taxes and social security	<b>0.3</b>	7.3
Accruals	<b>60.3</b>	59.4
Other liabilities	<b>46.3</b>	64.8
	<b>227.2</b>	236.8

Included in other liabilities are interest accruals of \$37.3m (2022: \$40.9m) on borrowings.

### Non-current liabilities

<b>\$m</b>	<b>2023</b>	2022
Trade payables	-	1.0
Accruals	<b>1.1</b>	1.2
Other liabilities	<b>1.6</b>	-
	<b>2.7</b>	2.2

Included in other liabilities are interest accruals of \$1.6m (2022: \$Nil) on borrowings.

## 17. Provisions

<b>\$m</b>	<b>2023</b>	2022
Current liabilities	<b>10.6</b>	15.2
Non-current liabilities	<b>2.8</b>	8.9
	<b>13.4</b>	24.1

Movements in provisions during the year are as follows:

<b>\$m</b>	Contract loss provisions	Provisions related to businesses divested	Restructuring provisions	Warranty claims	Other	Total
At 1 January 2022	6.6	0.8	10.7	5.8	16.3	40.2
Additional provisions in the year	6.1	-	13.4	3.7	10.9	34.1
Utilisation of provisions	(10.0)	-	(9.2)	(2.9)	(6.5)	(28.6)
Provisions released	-	(0.7)	(4.4)	-	(2.6)	(7.7)
Business divestments	-	-	-	-	(9.8)	(9.8)
Reclassified as held for sale	(1.6)	-	-	(0.5)	(1.4)	(3.5)
Foreign exchange adjustments	0.1	(0.1)	0.5	(0.1)	(1.0)	(0.6)
At 31 December 2022	<b>1.2</b>	-	<b>11.0</b>	<b>6.0</b>	<b>5.9</b>	<b>24.1</b>
Additional provisions in the year	<b>4.4</b>	-	<b>0.5</b>	<b>3.0</b>	<b>8.9</b>	<b>16.8</b>
Acquired with business combination (note 24)	<b>0.2</b>	-	-	<b>1.3</b>	-	<b>1.5</b>
Utilisation of provisions	<b>(5.6)</b>	-	<b>(6.8)</b>	<b>(3.0)</b>	<b>(5.8)</b>	<b>(21.2)</b>
Provisions released	-	-	<b>(1.6)</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>(2.1)</b>
Reclassified as held for sale	-	-	-	<b>(3.0)</b>	<b>(2.8)</b>	<b>(5.8)</b>
Foreign exchange adjustments	-	-	<b>0.1</b>	-	-	<b>0.1</b>
At 31 December 2023	<b>0.2</b>	-	<b>3.2</b>	<b>4.1</b>	<b>5.9</b>	<b>13.4</b>

### Contract loss provisions (key estimation uncertainty)

Contract loss provisions are recognised for onerous contracts when the expected benefits to be derived by the Group are lower than the forecasted unavoidable cost of meeting the related contractual obligations. The assessment of the amount provided is a source of estimation uncertainty which may have a significant effect on the carrying amount of these provisions within the next financial year. The estimated costs to complete including contingencies to cover the risks identified, the outcome of negotiations with customers, the amounts recoverable under these contracts and the risk of incurring penalties for not meeting challenging delivery schedules are all areas requiring management judgement and the Group may take

## AI Convoy (Luxembourg) S.à r.l.

account of the advice of experts in quantifying the expected costs of future adverse outcomes. Due to the inherent uncertainty associated with such matters, the timing and determination of the total costs or amount of any payments under any claims could differ from the amounts provided.

The remaining balance at 31 December 2023 is expected to be utilised within one year although, where there are uncertainties surrounding the timing of utilisation, they have been disclosed as current liabilities.

There are multiple sensitivities to be considered in assessing contract loss provisions, in particular the ability to achieve development milestone dates, the accuracy of cost estimates to complete contractual work and the ability to successfully invoice and collect cash from the end customer. It is not considered practical to provide sensitivities for each of these items, and potentially misleading to suggest each one can be considered separately, so this risk is disclosed as part of our contingent liabilities in note 26.

### Other categories of provisions

Restructuring provisions relate to restructuring projects announced in the year and prior periods including onerous lease commitments. Amounts carried forward are expected to be fully utilised within two years.

Provisions for warranty claims are expected to be utilised within three years.

Other provisions include amounts provided in respect of legal claims and environmental obligations and are mostly expected to be settled within two years. Other provisions also include longer term right-of-use asset provisions.

## 18. Derivative financial instruments

The fair values of derivative financial instruments are as follows:

<b>\$m</b>	Foreign exchange derivatives - not hedged	Total
Current assets	<b>12.7</b>	<b>12.7</b>
Current liabilities	-	-
<b>Fair value at 31 December 2023</b>	<b>12.7</b>	<b>12.7</b>
Non-current assets	0.2	0.2
Current assets	0.7	0.7
Current liabilities	(1.2)	(1.2)
<b>Fair value at 31 December 2022</b>	<b>(0.3)</b>	<b>(0.3)</b>

The movements in the fair values of derivative financial instruments during the year and their impact on the income statement and equity are as follows:

<b>\$m</b>	Foreign exchange derivatives - not hedged	Total
At 1 January 2022	(0.7)	(0.7)
Loss through income statement - not hedged	0.4	0.4
At 31 December 2022	<b>(0.3)</b>	<b>(0.3)</b>
Gain through income statement - not hedged	<b>12.9</b>	<b>12.9</b>
Reclassified as held for sale	<b>(0.3)</b>	<b>(0.3)</b>
Foreign exchange adjustments	<b>0.4</b>	<b>0.4</b>
<b>At 31 December 2023</b>	<b>12.7</b>	<b>12.7</b>

There were no net foreign exchange derivative hedging instruments at 31 December 2023 or 31 December 2022.

Full details of the Group's financial instrument accounting policies and risk management strategies, objectives and policies are set out in the accounting policies in note 1 and in note 20, financial risk management.

## 19. Retirement benefit schemes

<b>\$m</b>	<b>2023</b>	2022
Defined benefit scheme assets	<b>682.0</b>	683.2
Defined benefit obligations	<b>(661.0)</b>	(651.8)
	<b>21.0</b>	31.4

Pension expense from continuing operations included in employment costs in note 3 are as follows:

<b>\$m</b>	<b>2023</b>	2022*
Defined benefit schemes	-	-
Defined contribution schemes	<b>11.7</b>	11.7
	<b>11.7</b>	11.7

\* Re-presented to reflect the change in presentation of discontinued operations on a basis consistent with the current year as set out in Note 1.

## AI Convoy (Luxembourg) S.à r.l.

An amount of \$Nil (2022: \$Nil) was outstanding in respect of defined benefit schemes but not due for payment at 31 December. In addition, \$0.9m (2022: \$2.4m) was outstanding in respect of defined contribution schemes but not due for payment at 31 December.

### Defined contribution schemes

The Group operates a number of defined contribution pension arrangements. Under a defined contribution pension arrangement the Group's contribution is fixed at a set percentage of employees' pay. The contributions are recognised as an employee benefit expense as the employee provides service to the Group. There is no legal or constructive obligation to pay any additional amounts into the funds.

### Defined benefit schemes

The Group acquired a number of funded defined benefit schemes (where benefits are based on employees' length of service and average final salary) with the purchase of Cobham plc in the year ending 31 December 2020, the most significant being the Cobham Pension Plan (CPP) which had a significant historic actuarial deficit. The assets of all of these schemes are held separately from those of the Group in funds under the control of trustees. However, the Group is ultimately responsible for funding any shortfall in the obligations of the schemes to their members. All defined benefit schemes have been closed to new members since 2003 and closed to future accrual from 1 April 2016.

### Key events

During the year ended 31 December 2023, the Cobham Executive Pension Plan and the FRA Services Pension Plan were bought out by an insurance company and have therefore been derecognised in these financial statements. As a result the only remaining defined benefit scheme is the Cobham Pension Plan.

During the year ended 31 December 2022 the Trustees of the Cobham Pension Plan entered an agreement with Standard Life to insure the remaining uninsured Plan liabilities. As a result a significant portion of the Plan investments were transferred to Standard Life in return for this insurance policy. The Trustees and the Company agreed a new Schedule of Contributions to stop payment contributions from 1 April 2022 and to instead pay £1.25m a month into an investment vehicle, controlled by the Group, but over which the Trustees of the CPP had a call under certain circumstances. Payments to this investment vehicle ceased in August as a result of the buy-in agreement with Standard Life.

### Risk management

The defined benefit schemes have historically exposed the Group to a number of risks, as described below:

- Volatility of investment returns. If the investment return is lower than future funding obligations from the Company will increase;
- Inflation risk. Deferred pensions and pensions in payment are subject to inflationary increases. A higher inflation rate will lead to higher defined benefit obligations;
- Changes in bond yields. Volatility in the financial markets can have a significant impact on corporate bond yields which are used to generate a discount rate assumption. Lower corporate bond yields will lead to higher defined benefit obligations; and
- Life expectancy risk. The schemes' obligations are to provide benefits for the life of the member and therefore increases in life expectancy will lead to higher defined benefit obligations.

The trustees have fully managed these risks through the buy-in arrangements, where assets are transferred to an insurance company in return for a qualifying insurance policy which provides an income stream equivalent to the obligations to pensioners covered by the arrangement, except for the credit risk related to the insurance provider. The most significant buy-in arrangement took place in 2022 which insured member liabilities not previously covered by previous arrangement. The insurance policies are held by large and reputable companies, Standard Life and Rothesay Life.

### Actuarial valuations

Actuarial valuations of the present value of the defined benefit obligations for the CPP are carried out on a triennial basis by qualified independent actuaries; the most recent valuation was as at 1 April 2021 recording a deficit of \$101.5m (before the additional employer contributions of \$107.6m). Actuarial valuations of other schemes have been carried out at regular intervals as required by the applicable country regulations. In the UK, within 15 months of each triennial valuation, the employer and the trustees are required to agree a schedule of contributions to ensure that the plan is fully funded over time on a suitably prudent basis. The valuation of plan liabilities for triennial valuations are on a more prudent basis than that required by IAS 19 and therefore the schedule of contributions will address a higher deficit than that recorded on an IAS 19 basis. As a result of the buy-in policies referred to above the Group no longer expects to make contributions to the Defined Benefit Schemes.

The actuarial valuations for all schemes were updated for accounting purposes to 31 December 2023 by qualified independent actuaries.

### Assumptions (source of estimation uncertainty)

A number of assumptions are made in assessing the costs and present value of the pension assets and liabilities, which include the discount rate, inflation and mortality rates. These are considered to be major sources of estimation uncertainty as comparatively small changes in the assumptions used may have a significant effect on the Group's financial statements within the next financial year. The Group uses published indices and independent actuarial advice to select the values of critical assumptions.

The principal financial assumptions used for the purpose of the actuarial valuations were as follows:

	2023	2022
RPI inflation assumption (rate of increase in pensions in payment unless overridden by specific scheme rules)	3.15%	3.25%
CPI inflation assumption (rate of increase in deferred pensions)	2.50%	2.65%
Discount rate	4.55%	5.00%

## AI Convoy (Luxembourg) S.à r.l.

The mortality assumptions used for the CPP are based upon actuarial tables which reflect actual recent mortality experience and also allow for future mortality improvements. The mortality tables used to estimate life expectancy are known as 'SAPS CMI 2022', adjusted to seek to remove the exceptional impact of the Covid-19 pandemic. In practical terms, this is demonstrated in the table below:

	Year of birth	Year age 65	Further life expectancy
Male	1958	2023	21.6 years
Female	1958	2023	24.1 years

At 31 December 2023, it has been assumed that members will commute on average 25% of their pension for cash at retirement.

### Sensitivity analysis

As a result of the purchase of insurance policies during the year ended 31 December 2022, which now substantially mitigate the historic risks experienced by the Group, the net liabilities are not materially impacted by changes in the discount rate, inflation rate or life expectancy.

### Movements in scheme assets and scheme liabilities

A summary of the movements in the net asset and the amounts recognised in the Income Statement and OCI are as follows:

<b>\$m</b>	Scheme assets	Defined benefit obligations	Total
At 1 January 2022	1,311.5	(1,124.7)	186.8
Scheme administration expenses	(0.1)	-	(0.1)
Amounts recognised in operating profit	(0.1)	-	(0.1)
Net interest	21.3	(18.2)	3.1
Amounts credited/(charged) to other finance expense	21.3	(18.2)	3.1
Actual return less interest income on pension scheme assets	(480.3)	-	(480.3)
Actuarial gains and losses arising from changes in financial assumptions	-	336.6	336.6
Actuarial gains arising from changes in demographic assumptions	-	(2.4)	(2.4)
Amounts recognised in OCI	(480.3)	334.2	(146.1)
Employer contributions	4.7	-	4.7
Benefits paid	(41.1)	41.1	-
Amounts included in Cash Flow Statement	(36.4)	41.1	4.7
Exchange differences	(132.8)	115.8	(17.0)
<b>At 31 December 2022</b>	<b>683.2</b>	<b>(651.8)</b>	<b>31.4</b>
Past service cost included in administrative expenses	-	(0.1)	(0.1)
Scheme administration expenses	(3.8)	-	(3.8)
Amounts recognised in operating profit	(3.8)	(0.1)	(3.9)
Net interest	33.1	(31.5)	1.6
Amounts credited/(charged) to other finance expense	33.1	(31.5)	1.6
Actual return less interest income on pension scheme assets	3.2	-	3.2
Experience gains arising on scheme liabilities	-	15.0	15.0
Actuarial losses arising from changes in financial assumptions	-	(43.4)	(43.4)
Actuarial gains arising from changes in demographic assumptions	-	15.4	15.4
Amounts recognised in OCI	3.2	(13.0)	(9.8)
Employer contributions	0.1	-	0.1
Benefits paid	(36.4)	36.4	-
Amounts included in Cash Flow Statement	(36.3)	36.4	0.1
Gains on settlements	(37.2)	37.2	-
Exchange differences	39.8	(38.2)	1.6
<b>At 31 December 2023</b>	<b>682.0</b>	<b>(661.0)</b>	<b>21.0</b>

The actual gain on scheme assets was \$36.3m (2022: loss \$459.0m).

The actuarial loss for accounting purposes in 2022 reflects the purchase of a bulk annuity insurance policy in return for scheme investments. The actuarial liability used to value the insurance policy is on a more prudent basis than the liability calculated in accordance with IAS 19. The weighted average duration of the scheme liabilities is estimated to be 13 years.



## AI Convoy (Luxembourg) S.à r.l.

### Scheme assets

The fair value of major categories of scheme assets, and as a percentage of total scheme assets, is as follows:

	2023		2022	
	\$m	%	\$m	%
Insurance contracts	648.9	95.1%	647.0	94.7%
Credit based investments	16.3	2.4%	20.2	3.0%
Other assets including cash	12.0	1.8%	10.9	1.6%
Government bonds	4.8	0.7%	5.1	0.7%
	<b>682.0</b>	<b>100.0%</b>	683.2	100.0%

Scheme assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by the Group. None of the scheme assets are quoted in an active market. The above, except for the insurance contracts assets, are pooled investment vehicles and are valued based on bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads based on valuations provided by the investment manager. Insurance contracts are valued based on the valuation of the liabilities insured.

### Other retirement benefit schemes

The assets and liabilities of other immaterial retirement benefit schemes are as follows:

\$m	2023		2022	
	Assets	Liabilities	Assets	Liabilities
French indemnity schemes	-	-	-	(2.0)
US based schemes (Rabbi Trusts)	4.5	(4.5)	2.8	(2.8)
	<b>4.5</b>	<b>(4.5)</b>	2.8	(4.8)

## 20. Financial risk management

The Group's multinational operations and debt financing expose it to a variety of financial risks which include the effects of changes in foreign currency exchange rates, interest rates, liquidity risk and credit risk. During the year, the Group had in place a risk management programme that sought to limit the adverse effects on the financial performance of the Group by using foreign currency financial instruments, debt and other instruments. Other derivative financial instruments are used from time to time to manage exposures such as inflation risk. The Group does not trade in financial instruments. The financial risk management policies agreed by the Board did not change during the year and are summarised below.

### Foreign currency risk

#### Foreign currency risk exposure and risk management strategy

The Group reports in US Dollars and has significant investment in overseas operations in Europe. As a result, the Group's Balance Sheet, including the net debt position, can be affected by movements in these countries' exchange rates. The Group's policy is to reduce, or eliminate where practical, both structural and transactional foreign exchange risk and, consequently, the net foreign exchange gains and losses included in the Income Statement amounted to a gain of \$1.1m (2022: loss of \$9.7m). The Group undertakes to manage the currency mix of debt and EBITDA so that they are broadly in line to mitigate the impact of currency fluctuations on the net debt to EBITDA financial covenant. All currency exposures are reviewed regularly and all significant foreign exchange transactions are approved by appropriate management.

The Group has the following exposure to foreign currency denominated monetary assets and monetary liabilities in the Balance Sheet, translated into US dollars at the relevant year-end exchange rates:

\$m	2023		2022	
	Monetary assets	Monetary liabilities	Monetary assets	Monetary liabilities
UK Sterling	14.2	(1.5)	20.2	(6.3)
Euro	10.8	(1,096.9)	17.3	(826.1)
Australian dollars	-	-	0.1	-
Danish kroner	1.9	(26.9)	4.4	(30.3)
Other currencies	4.4	(0.4)	4.2	(6.7)
	<b>31.3</b>	<b>(1,125.7)</b>	46.2	(869.4)
US Dollar denominated monetary assets and liabilities	<b>374.1</b>	<b>(1,176.2)</b>	362.5	(1,588.4)
	<b>405.4</b>	<b>(2,301.9)</b>	408.7	(2,457.8)

Foreign currency borrowings are used to mitigate the impact of foreign currency exchange differences arising from the Group's overseas net assets. Monetary liabilities in the table above include Euro borrowings of \$808.2m (2022: \$778.0m).

On consolidation, the net assets of overseas subsidiaries (which include the monetary assets and liabilities shown in the table above) are translated at closing exchange rates and exchange differences arising are accounted for in OCI through the translation reserve (note 22).

Foreign currency derivative contracts are also used to manage exposure to currency risks as detailed below.

The Group is exposed to foreign currency risk in the Income Statement where individual subsidiaries hold non-functional currency monetary assets and liabilities and when an operating unit makes sales and purchases in currencies other than its own functional currency. The Group undertakes a formal process to actively manage and mitigate this exposure through a combination of matching non-functional currency revenues and costs, matching non-functional currency monetary assets and liabilities and through the use of forward contracts.

Each business assesses its transactional exposure and hedges forecast exposures where appropriate up to 100% for a period of up to 12 months. Firm exposures on long term contracts would normally be fully hedged. For shorter cycle businesses, the profile of hedging is based on customer

## AI Convoy (Luxembourg) S.à r.l.

commitments which are subject to approval by the CFO. Where forecasted currency cash flows do not arise this will result in increased income statement exposure to foreign currency exchange differences. These are however managed at a Group level and mitigating action is taken where possible. Hedge accounting is not applied for these forward foreign exchange contracts.

In respect of using forward foreign exchange contracts, the most important exchange rates for the Group in the years ending 31 December 2023 and 31 December 2022 were US dollar/Euro and US dollar/South African Rand. The Group had the following forward foreign currency contracts outstanding at the respective year ends:

US\$/Euro contracts outstanding at 31 December	US\$m amount		Average US\$: Euro exchange rate	
	2023	2022	2023	2022
Expiring within one year	559.1	42.0	1.09	1.09
Total	559.1	42.0	1.09	1.09

US\$/South African Rand contracts outstanding at 31 December	US\$m amount		Average US\$: SA Rand exchange rate	
	2023	2022	2023	2022
Expiring within one year	3.9	29.3	16.25	17.17
Expiring within one to two years	-	10.9	-	17.88
Total	3.9	40.2	16.25	17.36

The latest expiry date of forward foreign currency contracts for sales of US dollars is May 2024 and it is the Group's current belief that the net dollar receipts by subsidiaries will exceed the level of the outstanding commitments.

### Sensitivity analysis

Financial instruments denominated in a currency other than the functional currency in which they are measured create exposure to foreign currency exchange rate risk. These financial instruments include the monetary assets and liabilities and the forward foreign currency contracts shown in the tables above. The sensitivity arising on these financial instruments from a weakening in USD against the respective foreign currency at the balance sheet date is set out below, with a negative number indicating a reduction in profit after taxation or total equity.

\$m	2023			2022		
	Sensitivity	Profit or loss	Total equity	Sensitivity	Profit or loss	Total equity
US dollars to Euro	10%	53.1	53.1	11%	3.8	3.8
US dollars to South African Rand	21%	4.0	4.0	22%	7.4	7.4
US dollars to Danish kroner	10%	(2.0)	(2.0)	11%	(2.1)	(2.1)

### Interest rate risk

All floating rate borrowings have regular repricing dates.

\$m	2023	2022
<b>Floating rate borrowings</b>		
Revolving credit facility	332.2	-
Bank loans	1,571.2	2,129.3
<b>Total floating rate borrowings</b>	<b>1,903.4</b>	<b>2,129.3</b>

If interest rates increased, or decreased by one percentage point, the Group's net interest expense would increase, or decrease by approximately \$19m pa (2022: \$21m pa).

Surplus funds are placed on short term fixed rate deposit and as such also give rise to interest rate exposure. There was no material sensitivity to changes in interest rates at the year end.

### Liquidity risk

The Group's policy on managing liquidity risk throughout the year has been to maintain a mix of short, medium and long term borrowings with lenders. Overdraft and RCF provide short term flexibility whilst the loan facilities provide longer term committed funding.

As shown in note 14, at 31 December 2023, undrawn committed RCF facilities of \$18m (2022: \$350m) were available to the Group in various currencies.

At an operating level, the Group has a positive cash flow from operating activities and where practical the funds generated by business units are managed on a regional basis. In the UK and USA, most business units utilise local banking facilities within a UK or US group arrangement. This allows a balance to be maintained between continuity of funding, security and flexibility.

The table below summarises the remaining contractual maturity for the Group's borrowings and other financial liabilities. The amounts shown are the contractual undiscounted cash flows which include interest, analysed by contractual maturity. The difference between the contractual cash flows and the carrying amount of these liabilities reflects the effects of interest not included in the carrying amount and discounting applied in assessing fair value.

## AI Convoy (Luxembourg) S.à r.l.

\$m	Within one year	1-2 years	2-5 years	Over 5 years	Total
<b>Non-derivative financial liabilities</b>					
<b>Borrowings</b>					
Borrowings	517.0	168.3	1,952.8	-	2,638.1
Lease obligations	11.0	13.4	40.5	21.2	86.1
Trade and other payables	223.3	1.3	-	-	224.6
<b>At 31 December 2023</b>	<b>751.3</b>	<b>183.0</b>	<b>1,993.3</b>	<b>21.2</b>	<b>2,948.8</b>
<b>Derivative liabilities</b>					
<b>Foreign exchange derivatives</b>					
Gross cash outflows	8.7	-	-	-	8.7
Gross cash inflows	(8.3)	-	-	-	(8.3)
<b>At 31 December 2023</b>	<b>0.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.4</b>
<b>At 31 December 2022</b>					
Borrowings	199.7	213.0	527.4	2,109.2	3,049.3
Lease obligations	14.4	21.0	42.3	28.7	106.4
Trade and other payables	226.8	1.4	1.6	-	229.8
<b>At 31 December 2022</b>	<b>440.9</b>	<b>235.4</b>	<b>571.3</b>	<b>2,137.9</b>	<b>3,385.5</b>
<b>Derivative liabilities</b>					
<b>Foreign exchange derivatives</b>					
Gross cash outflows	64.9	-	-	-	64.9
Gross cash inflows	(63.4)	-	-	-	(63.4)
<b>At 31 December 2022</b>	<b>1.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.5</b>

### Credit risk

The Group's principal financial assets are bank balances, contract assets, trade and other receivables and derivative financial instruments. There are no significant concentrations of credit risk. The Group is exposed to credit risk on these balances through its operating activities as the counterparties involved may not meet their obligations under the contract or financial instrument, leading to a financial loss.

The Group has a conservative policy towards the credit risk related to liquid funds and derivative financial instruments with balances currently spread across a range of investment grade financial institutions. The levels of credit risk are monitored through the Group's ongoing risk management processes, which include a regular review of the banks' credit ratings. Risk in this area is limited further by setting a maximum level for term deposits with any one counterparty.

Concentrations of credit risk with respect to trade receivables are limited due to the Group having a large and diverse customer base. Customers are typically large global companies or government agencies with long term trading relationships. The Group also has in place procedures that require appropriate credit checks on potential customers before sales are made and any requests for extended credit must be approved by senior management. Letters of credit are obtained where necessary from reputable banks and financial institutions. Existing customer accounts are monitored on an ongoing basis and appropriate action is taken where necessary to minimise any credit risk. No further credit risk provision is required in addition to the provision for impaired receivables shown in note 12.

Group management monitors debtor days and the ageing of all overdue receivables on a regular basis. At 31 December 2023, 35.7% (2022: 39.1%) of gross trade receivables were overdue including 24.2% (2022: 18.8%) which were overdue by one month or more.

The maximum exposure to credit risk at 31 December 2023 is the fair value of financial assets as disclosed in note 10.

The Group has master netting arrangements in respect of bank balances in the UK. In the normal course of business, these bank accounts are settled on a net basis within each currency and as such are presented net in the Balance Sheet as shown in note 14. In the event of an automatic enforcement event, the bank balances are set off against each other to achieve a net position. Derivatives can also be offset by counterparties in the event of a default; net amounts that result on this basis are shown in note 10.

### Inflation risk

The Group's exposure to inflation is considered to be a general business risk which is mitigated through normal commercial activity. The Group will use inflation swap contract to manage these risks where considered appropriate. Inflation swap contracts have not been used during 2023 or 2022.

### Capital risk management

Capital is defined as total equity excluding non-controlling interests and amounted to \$(137.4m) at 31 December 2023 (2022: \$250.1m).

The Managers have a capital allocation policy for the Group which embodies a disciplined approach to investment and value creation.

For the purpose of the Group's capital management, capital includes issued capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

In order to achieve the overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings. Breaches in meeting the financial covenants would allow the lenders to immediately call

## AI Convoy (Luxembourg) S.à r.l.

loans and borrowings after a certain period within which the Group is allowed to rectify the breach. There have been no breaches of the financial covenants of any interest-bearing loans and borrowings in the current period.

## 21. Share capital

		\$m	\$m
<b>Ordinary shares</b>			
<b>Issued and fully paid</b>			
1,500,100 shares of a nominal value of \$1		<b>1.5</b>	1.5
	Number of shares	Share capital \$m	Share premium \$m
At 1 January 2022	1,500,100	1.5	1,064.4
Issued in the year	-	-	-
At 31 December 2022	<b>1,500,100</b>	<b>1.5</b>	<b>1,064.4</b>
Issued in the year	-	-	-
At 31 December 2023	<b>1,500,100</b>	<b>1.5</b>	<b>1,064.4</b>
		<b>2023</b>	2022
		\$m	\$m
<b>Equity Preferred Certificates</b>			
<b>Issued and fully paid</b>			
958,004,535 shares of \$1m par value		<b>56.2</b>	56.2
At 1 January		<b>56.2</b>	56.2
Repaid in the year		-	-
At 31 December		<b>56.2</b>	56.2

### Share based compensation

Under the Management Equity Plan (MEP), share options in the shareholding structure of the Group are granted to Managers of the Group entities to participate in the acquisition of the operating Group along with other shareholders.

The exercise price of the share options is not materially different from the market price of the underlying shares on the date of grant. The share options were fully vested at the time of their subscription.

There are no cash settlement alternatives. The Group accounts for the MEP as an equity-settled plan.

No expense was recognized for employee services received during 2023 or 2022 as the Company has determined that the subscription value of the share options does not differ materially from their market value.

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	Number	WAEP (\$)
At 1 January 2022	574,775	0.33
Granted during the year	92,223	0.19
Repurchased during the year	(125,402)	(0.30)
At 31 December 2022	<b>541,596</b>	<b>0.29</b>
Granted during the year	<b>103,822</b>	<b>0.06</b>
Repurchased during the year	<b>(14,815)</b>	<b>0.34</b>
At 31 December 2023	<b>630,603</b>	<b>0.16</b>
Exercisable at 31 December 2023	<b>630,603</b>	<b>0.29</b>

There were no cancellations or modifications to the awards in 2023 or 2022.

## 22. Other reserves

\$m	Translation reserve
At 1 January 2022	4.6
Foreign exchange differences on translation of overseas operations	(9.5)
Reclassification of foreign exchange on divestment of overseas operations	3.2
At 31 December 2022	<b>(1.7)</b>
Foreign exchange differences on translation of overseas operations	<b>(32.6)</b>
At 31 December 2023	<b>(34.3)</b>

The translation reserve comprises all foreign exchange differences arising on the results and financial position of subsidiaries whose functional currencies differ from the Group's reporting currency together with foreign exchange movements arising on foreign exchange derivatives designated as hedge instruments.

## 23. Distributions made

\$m	2023	2022
<b>Cash dividends on ordinary shares declared and paid:</b>		
Interim dividend for 2023: \$762.75 per share (2022: \$Nil per share)	<b>1,144.2</b>	-
For the year ending 31 December	<b>1,144.2</b>	-

## 24. Business combinations

### Business combinations in 2023

On 3 March 2023, the Group acquired 100% of the voting shares of Herley Industries LLC, a company under common control based in the USA, which designs and manufactures RF assemblies and RF telemetry products and therefore is considered complementary to the CAES RF business. The Group applied the acquisition method of accounting considering the substance of the transaction. The cash consideration conducted at fair value was \$254m.

The valuation of the acquired business was calculated on an arm's length basis and as a result management believe the application of IFRS 3 "Business Combinations" is appropriate for this transaction.

### Assets acquired and liabilities assumed

The cash consideration and fair value of the identifiable assets and liabilities of Herley Industries LLC as at the date of acquisition were:

\$m	Note	Total
Intangible assets	7	<b>129.0</b>
Property, plant and equipment	8	<b>30.4</b>
Right-of-use assets	8	<b>0.3</b>
Deferred tax	5	<b>0.9</b>
<b>Non-current assets</b>		<b>160.6</b>
Inventories		<b>12.5</b>
Contract assets		<b>10.8</b>
Trade and other receivables		<b>9.7</b>
Cash and cash equivalents		<b>3.2</b>
<b>Current assets</b>		<b>36.2</b>
Trade and other payables		<b>(9.4)</b>
Lease obligations		<b>(0.3)</b>
Contract liabilities		<b>(5.6)</b>
Provisions	17	<b>(1.5)</b>
<b>Current liabilities</b>		<b>(16.8)</b>
<b>Net assets acquired</b>		<b>180.0</b>
Goodwill	7	<b>74.0</b>
<b>Cash consideration</b>		<b>254.0</b>

The Group measured the acquired lease obligations using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

All intangible assets were recognised at their respective fair values. The residual excess of the total cost over the fair value of the net assets acquired is recognised as goodwill in the financial statements. Goodwill represents the premium paid in anticipation of future economic benefits from assets that are not capable of being separately identified and separately recognised, such as the value of the workforce. Goodwill is not anticipated to be deductible for tax purposes.

From the date of acquisition, Herley Industries LLC contributed \$79.4m of revenue and a profit before tax from continuing operations of \$21.5m. If the combination had taken place at the beginning of the year, revenue from continuing operations would have included \$92.7m and profit before tax from continuing operations \$24.8m.

The net cash flows resulting from the acquisition of Herley Industries LLC are as follows:

\$m	Total
Cash consideration paid	<b>254.0</b>
Net cash acquired	<b>(3.2)</b>
<b>Total cash flow on acquisition</b>	<b>250.8</b>

### Business combinations in 2022

There were no acquisitions of businesses in the year ended 31 December 2022.

## 25. Business divestments

The Group completed the divestment of its CAES Space business in January 2023, realising a total gain on divestments of \$918.7m, including a net loss of \$3.8m from prior year divestments, as follows:

\$m	Prior year divestments	Discontinued operation CAES Space
Gross consideration	(2.1)	1,662.3
Net assets at date of divestment	-	(733.0)
Expenses of sale	(1.7)	(6.8)
Net profit on divestments before tax	(3.8)	922.5
Tax credit on net loss on divestments	-	-
Net profit on divestments after tax	(3.8)	922.5

The net cash impact of the divestments during the year is as follows:

\$m	Prior year divestments	CAES Space
Cash consideration	-	1,662.3
Expenses of sale	(2.1)	(6.8)
Cash disposed	-	(5.2)
Disposal of cash in Held for Sale at prior year	-	2.7
Net cash relating to divestments	(2.1)	1,653.0

The net assets at the date of divestment were as follows:

\$m	CAES Space
<b>At date of divestment</b>	
Intangible assets	618.6
Property, plant and equipment	112.4
Trade investments	0.3
Contract assets	80.9
Inventories	68.2
Trade and other receivables	73.0
Deferred tax receivable	26.3
Corporate tax receivable	19.1
Cash and cash equivalents	5.2
Borrowings	(21.5)
Trade and other payables	(57.2)
Contract liabilities	(20.9)
Current tax liabilities	(1.1)
Provisions	(3.5)
Deferred tax liabilities	(166.8)
Net assets divested	733.0

**25a. Discontinued operations**

The results for the year (and previous year) from discontinued operations was as follows:

\$m	2023			2022			
	Advanced Electronic Solutions - Space	Aerospace Communications	Total	Aviation Services Australia	Advanced Electronic Solutions - Space	Aerospace Communications	Total
Revenue	2.1	204.3	206.4	203.1	428.0	162.9	794.0
Cost of sales	(3.2)	(86.3)	(89.5)	(164.9)	(248.0)	(83.1)	(496.0)
Gross profit	(1.1)	118.0	116.9	38.2	180.0	79.8	298.0
Operating costs	(1.3)	(58.1)	(59.4)	(23.4)	(112.7)	(80.3)	(216.4)
Profit/(loss) on divestments	922.5	-	922.5	(80.4)	-	-	(80.4)
Operating profit	920.1	59.9	980.0	(65.6)	67.3	(0.5)	1.2
Finance income	-	1.0	1.0	0.1	-	0.3	0.4
Finance costs	-	(6.0)	(6.0)	(3.0)	(23.3)	(5.8)	(32.1)
Profit/(loss) before taxation	920.1	54.9	975.0	(68.5)	44.0	(6.0)	(30.5)
Taxation	(1.0)	(8.0)	(9.0)	(12.9)	13.3	1.3	1.7
<b>Profit/(loss) for the year</b>	<b>919.1</b>	<b>46.9</b>	<b>966.0</b>	<b>(81.4)</b>	<b>57.3</b>	<b>(4.7)</b>	<b>(28.8)</b>
Attributable to:							
Owners of the parent	919.1	46.9	966.0	(81.4)	57.3	(4.7)	(28.8)
Non-controlling interests	-	-	-	-	-	-	-
	<b>919.1</b>	<b>46.9</b>	<b>966.0</b>	<b>(81.4)</b>	<b>57.3</b>	<b>(4.7)</b>	<b>(28.8)</b>

The contribution to the Group's cash flows from discontinued operations was as follows:

\$m	2023			2022			
	Advanced Electronic Solutions - Space	Aerospace Communications	Total	Aviation Services Australia	Advanced Electronic Solutions - Space	Aerospace Communications	Total
Cash generated from operations	8.2	60.5	68.7	59.6	65.0	30.6	155.2
Net cash from operating activities	8.2	49.1	57.3	56.4	30.5	16.1	103.0
Net cash used in investing activities	-	(13.5)	(13.5)	(50.6)	(15.4)	(9.1)	(75.1)
Net cash used in financing activities	(0.1)	(4.5)	(4.6)	(17.0)	(3.2)	(2.0)	(22.2)

**26. Contingent liabilities**

The Group makes provisions when it is probable there will be a cash outflow to settle liabilities and it can be reliably estimated. Contingent liabilities are potential future cash outflows which are less certain or cannot be measured reliably. The disclosure below is intended to highlight potential risks that are not provided for in the Balance Sheet.

At 31 December 2023, the Company and the Group had contingent liabilities in respect of bank and contractual performance guarantees and other matters arising in the ordinary course of business. Where it is expected that a material liability will arise in respect of these matters, appropriate provision is made within the Group Financial Statements.

The Company and various of its subsidiaries are, from time to time, parties to various legal proceedings and claims and management do not anticipate that the outcome of these, either individually or in aggregate, will have a material adverse effect upon the Group's financial position.

The nature of much of the contracting work done by the Group means that there are reasonably frequent contractual issues, variations and renegotiations that arise in the ordinary course of business, whose resolution is uncertain and could materially impact the Group's future reported earnings. In particular, on fixed price and fixed fee development contracts, costs incurred and anticipated can significantly exceed amounts estimated as a result of material enhancements to the specifications originally agreed under the contracts. The Group may take account of the advice of experts as required in making judgements on contractual issues and whether the outcome of negotiations will result in an appropriate recovery of costs. Judgement is therefore required as regards the estimated costs to complete, the outcome of negotiations with customers and the amounts recoverable under these contracts. The amount recoverable may be subject to direct damages due to the customer and damages or penalties they incur from their own end users. In particular, there are onerous contract terms and challenging delivery schedules on Space contracts. In the case where the Group is undertaking development activity at its own cost, including production and service readiness, and has given performance undertakings to prospective customers, then a liability for losses consequent upon the failure to meet such undertakings could exist.

The Group is subject to corporate and other tax rules in the jurisdictions where it conducts its business operations. Changes in tax rates, tax reliefs and tax laws, changes in practice or interpretation of the law by the relevant tax authorities, increasing challenges by relevant tax authorities on transfer pricing and other matters, or any failure to manage tax risks adequately could result in increased charges, financial loss, penalties and reputational damage, which may materially adversely affect the Group's financial condition and results of operations.

In addition, tax enforcement has become a higher priority for many tax authorities in jurisdictions in which the Group operates, which has led to an increase in tax audits, enquiries and challenges, or the testing through litigation of the boundaries of the correct interpretation of legislation. Tax

## AI Convoy (Luxembourg) S.à r.l.

authorities may also actively pursue additional taxes based on retroactive changes to tax laws and the Group may have disagreements with tax authorities which could result in a material reassessment of the tax position.

### 27. Related party transactions

Transactions between AI Convoy (Luxembourg) S.a.r.l. and its subsidiaries and parent undertakings, which are related parties of the Company, have been eliminated on consolidation and are not disclosed.

The Ultra Electronics Group is a related party as both are subsidiaries of Cobham Group Holdings Limited. On 3 March 2023, the Group acquired Herley Industries LLC from the Ultra Electronics Group. The purchase price of \$254m was agreed on an arm's length basis. The Group also have certain shared costs with the Ultra Electronics Group including a small number of employees who spend some of their time working for the Ultra Electronics Group. Recharges to the Ultra Electronics Group in the year ended 31 December 2023 amounted to \$6.6m and recharges from the Ultra Electronics Group in the year ended 31 December 2023 amounted to \$0.1m. At 31 December 2023 \$0.4m of receivables from the Ultra Electronics Group were outstanding.

During the year, as described in Note 14, the Group received an interest-bearing loan from the shareholders of AI Convoy (Luxembourg) Holdings S.a.r.l, a parent undertaking.

Details of the compensation of key management personnel can be found in note 3. The Managers of AI Convoy (Luxembourg) S.a.r.l. had no material transactions with the Company during the year, other than as a result of service agreements.

### 28. Events after the balance sheet date

On 2 April 2024 the Aerospace Communications business, part of the Communications and Connectivity Sector, was sold to the Thales Group for \$1.1bn.

### 29. Subsidiaries and other related undertakings

The Group operates through a number of subsidiary undertakings and a full listing of these as at 31 December 2023 is provided below. The Group owns 100% of the share capital of all subsidiaries with the exception of TEAM SA (99.64% owned).

<b>Name of undertaking</b>	<b>Address of registered office or equivalent</b>
Aeroflex LLC	Wilmington, USA
Aeroflex Test Solutions Limited	London, England
AI Convoy Bidco Limited	Christchurch, England
AI Convoy US Borrower LLC <sup>1</sup>	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA
CAES Management Services LLC	Wilmington, USA
CAES Systems Holdings LLC	Wilmington, USA
CAES Systems LLC	Wilmington, USA
Cobham Aerospace Communications Dourdan SA	7 chemin de Vaubensard, 91410 Dourdan, France
Cobham Aerospace Communications Singapore Pte. Ltd.	80 Robinson Road, Postal 068898, Singapore
Cobham Advanced Electronic Solutions Mexico, S.A. de C.V.	Baker & McKenzie Abogados, S.C., Pedregal 24, Lomas Virreyes, 11040 Ciudad de México, D.F., Mexico
Cobham Aerospace ApS	Lundtoftegårdsvej 93 D, DK-2800 Kongens Lyngby, Denmark
Cobham Aerospace SAS	174 - 178 quai de Jemmapes, Paris, France.
Cobham Aerospace Holding S.a.r.l.	9 All Scheffer 99137 Luxembourg
Cobham Group Limited <sup>1</sup>	Christchurch, England
Cobham Limited	Christchurch, England
Colorado Engineering, Inc.	1900 W. Littleton Blvd, Littleton, CO 80120.
Comant Industries, Inc	CSC Lawyers Incorporating Service, 2710 Gateway Oaks Drive, Suite 150N, Sacramento, CA 95833, USA
FR Aviation Group Limited	London, England
Herley Industries LLC <sup>2</sup>	Wilmington, USA
Lockman Electronic Holdings Limited	London, England
Lockman Investments Limited	Bristol, England
Lockman Properties Limited	Bristol, England
Manlock Investments Limited	London, England
Multiphase Pumping Systems Limited	PO Box 4385, Cardiff, England
Omnipless Manufacturing (Pty) Limited	Westlake Drive, Westlake Business Park, Westlake 7945, South Africa
Satori Air Communications Limited	MD House Greenford Office Estate, Off Punters Way, Kenilworth, Western Cape, 7708, South Africa
Satori Air Services Inc	4105 Cousens Street, Saint-Laurent, Quebec H4S 1V6, Canada
Sea Tel, Inc	CSC Lawyers Incorporating Service, 2710 Gateway Oaks Drive, Suite 150N, Sacramento, CA 95833, USA
Société de Marquage et Signalisation SAS	174-178 Quai de Jemmapes, 75010 Paris, France
TEAM SA	35 rue de Monthéry, BP 20191, 94563 Rungis, France
Thrane & Thrane A/S	Lundtoftegårdsvej 93 D, DK-2800 Kongens Lyngby, Denmark
Thrane & Thrane Norge A/S	Cort Adelers gate 16, 0254 Oslo, Norway



## **AI Convoy (Luxembourg) S.à r.l.**

Full registered office addresses are:

Bristol, England  
Christchurch, England

London, England  
Wilmington, USA

The Pavilions, Bridgwater Road, Bristol, England, BS13 8FD  
41 – 43 Basepoint Business Centre, Aviation Business Park, Enterprise Close,  
Christchurch, Dorset, BH23 6NX  
3 Field Court, Grays Inn, London, WC1R 5EF  
251 Little Falls Drive, Wilmington, USA DE 19808

<sup>1</sup> Shares in Cobham Group Limited and AI Convoy US Borrower LLC are held directly by AI Convoy (Luxembourg) S.a. r.l. Shares in all other entities are held directly or indirectly by Cobham Group Limited.

<sup>2</sup> Herley Industries LLC changed its name to CAES Mission Systems LLC on 1 January 2024.