

ASX Announcement | 26 April 2023

Notice of General Meeting

Dear Shareholders,

Notice is given that the General Meeting (Meeting) of Shareholders of K-TIG Limited (ACN 158 307 549) (**Company**) is scheduled to be held at Level 5, 191 St George's Terrace, Perth Western Australia at 10.00am (Perth time) on Friday, 26 May 2023 and as a hybrid meeting (**Meeting**).

Shareholders who wish to attend and participate in the virtual Meeting can do so via the online meeting platform, where Shareholders will be able to watch, listen, participate and vote online. Details on how to access the virtual Meeting are provided in the Notice of Meeting. If you wish to attend the live webinar, please use the holding details to pre-register at https://us02web.zoom.us/webinar/register/WN_SmX8lmhFR5ivPeDkyGZVlw

The Company **strongly encourages Shareholders to lodge a directed proxy form prior to the Meeting** and register their attendance prior to the Meeting if they intend to attend.

In accordance with new provisions under the Corporations Act, the Company will not be sending hard copies of the Notice of Meeting to shareholders unless a shareholder has previously requested a hard copy. The Notice of Meeting can be viewed and downloaded from www.k-tig.com. Alternatively, a complete copy of the Notice of Meeting and Explanatory Statement has been posted on the Company's ASX market announcements page.

If you have nominated an email address and have elected to receive electronic communications from the Company, you will also receive an email to your nominated email address with a link to an electronic copy of the Notice of Meeting and Explanatory Statement. In order to receive electronic communications from the Company in the future, please update your Shareholder details online at <https://investor.automic.com.au#/loginsah> and log in with your unique shareholder identification number and postcode (or country for overseas residents), where you can find on your enclosed personalised proxy form. Once logged in you can also lodge your proxy vote online by clicking on the "Vote" tab.

The Meeting materials are important and should be read in their entirety. If you are in doubt as to the course of action you should follow, you should consult your financial adviser, lawyer, accountant or other professional adviser.

If you have difficulties obtaining a copy of the Meeting Materials please contact the Company's share registry, Automic, on 1300 288 664 (within Australia) or +61 2 9698 5414 (overseas).

This announcement was authorised for issue by the Company Secretary of K-TIG Limited.

Brett Tucker
Company Secretary

—ENDS—

For more information, please contact:

Company enquiries

Adrian Smith
K-TIG Limited
P: +61 8 7324 6800

Corporate enquiries

George Rogers
SRG Partners
P: +61 438 815 495



K-TIG Limited
ACN 158 307 549

Notice of General Meeting

Time and date: 26 May 2023 at 10:00am (AWST)

Location: Level 5, 191 St George's Terrace, Perth, Western Australia

The Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their accountant, solicitor or other professional advisor prior to voting.

Should you wish to discuss any matter, please do not hesitate to contact the Company Secretary by telephone on +61 08 9482 0500.

Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice

K-TIG Limited
ACN 158 307 549
(Company)

Notice of General Meeting

Notice is hereby given that a General Meeting of Shareholders of K-TIG Limited will be held at Level 5, 191 St George's Terrace, Perth, Western Australia on 26 May 2023 at 10:00am (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of the Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 24 May 2023 at 4:00pm (AWST).

Terms and abbreviations used in the Notice are defined in Schedule 1.

Agenda

Resolution 1 – Consolidation of capital

To consider and, if thought fit, to pass with or without amendment as an ordinary resolution the following:

'That subject to each of the other Transaction Resolutions being passed, pursuant to and in accordance with section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the terms and conditions in the Explanatory Memorandum, on the basis that:

- (a) *every 2.50 Shares be consolidated into 1 Share;*
- (a) *all Convertible Securities (except Options) be adjusted in accordance with Listing Rule 7.21; and*
- (b) *all Options be adjusted in accordance with Listing Rule 7.22,*

and where this Consolidation results in a fraction of a Security being held, the Company be authorised to round that fraction up to the nearest whole Security. The Consolidation is to take effect on 29 May 2023.'

Resolution 2 – Approval to change in nature and scale of activities

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

'That, subject to each of the other Transaction Resolutions being passed, pursuant to and in accordance with Listing Rule 11.1.2 and for all other purposes, Shareholders approve the significant change in the nature and scale of the Company's activities resulting from the

Transaction and the Public Offer, on the terms and conditions set out in the Explanatory Memorandum.'

Resolution 3 – Approval to issue Public Offer Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

'That, subject to each of the other Transaction Resolutions being passed, and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 125,000,000 Shares (on a post Consolidation basis) on the terms and conditions set out in the Explanatory Memorandum.'

Resolution 4 – Approval to issue Corporate Advisor Securities

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

'That, subject to each of the other Transaction Resolutions being passed, the issue of 1,125,000 Corporate Advisor Shares and 2,000,000 Corporate Advisor Options to SRG Pty Ltd (or its nominees) is approved under and for the purposes of Listing Rule 7.1 and for all other purposes, on the terms and conditions in the Explanatory Memorandum.'

Resolution 5 – Approval to issue Conversion Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

'That, subject to each of the other Transaction Resolutions being passed, the issue of 10,000,000 Conversion Shares to the Noteholders (or its nominees) is approved under and for the purposes of Listing Rule 7.1 and for all other purposes, on the terms and conditions in the Explanatory Memorandum.'

Resolution 6 – Approval to issue Conversion Options

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

'That, subject to each of the other Transaction Resolutions being passed, the issue of 10,000,000 Conversion Options to the Noteholders (or its nominees) is approved under and for the purposes of Listing Rule 7.1 and for all other purposes, on the terms and conditions in the Explanatory Memorandum.'

Resolution 7 – Election of Director – Tony Eckford

To consider and, if thought fit, to pass with or without amendment, each as a separate ordinary resolution, the following:

'That, subject to each of the other Transaction Resolutions being passed, Completion, and pursuant to and in accordance with Article 7.6(c) of the Constitution and for all other purposes, Mr Tony Eckford, being eligible and having consented to act, be elected as a Director on and from Completion.'

Voting Exclusions

Pursuant to the Listing Rules, the Company will disregard any votes cast in favour of:

Resolution 2 by or on behalf of a counterparty to the Transaction that, of itself or together with one or more other transactions, will result in a significant change to the nature or scale of the Company's activities and any other person who will obtain a material benefit as a result of the Transaction (except a benefit solely by reason of being a Shareholder) or an associate of those persons;

Resolution 3 by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder) or any of their respective associates.

Resolution 4 by or on behalf of SRG Pty Ltd and any other person who will obtain a material benefit as a result of the issue of the Corporate Advisor Securities, or any of their respective associates;

Resolution 5 by or on behalf of the Noteholders and any other person who will obtain a material benefit as a result of the issue of the Conversion Shares, or any of their respective associates; and

Resolution 6 by or on behalf of the Noteholders and any other person who will obtain a material benefit as a result of the issue of the Conversion Options, or any of their respective associates.

The above voting exclusions do not apply to a vote cast in favour of the relevant Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way;
- (b) the Chair as proxy or attorney for a person who is entitled to vote, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

BY ORDER OF THE BOARD

A handwritten signature in blue ink that reads "Stuart Carmichael". The signature is written in a cursive style and is positioned above a horizontal line.

Stuart Carmichael
Director
K-TIG Limited
Dated: 26 April 2023

K-TIG Limited
ACN 158 307 549
(Company)

Explanatory Memorandum

1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Level 5, 191 St George's Terrace, Perth, Western Australia, on 26 May 2023 at 10:00am (AWST).

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2	Action to be taken by Shareholders
Section 3	Conditional Transaction Resolutions
Section 4	Background to the Transaction
Section 5	Risks associated with the Transaction
Section 6	Resolution 1 – Consolidation of capital
Section 7	Resolution 2 – Approval to change in nature and scale of activities
Section 8	Resolution 3 – Approval to issue Public Offer Shares
Section 9	Resolution 4 – Approval to issue Corporate Advisor Securities
Section 10	Resolution 5 – Approval to issue Conversion Shares
Section 11	Resolution 6 – Approval to issue Conversion Options
Section 12	Resolution 7 – Election of Director – Tony Eckford
Schedule 1	Definitions
Schedule 2	Transaction Based Comparison Table
Schedule 3	Graham Engineering Financial Statements
Schedule 4	Pro forma Balance Sheet
Schedule 5	Terms and Conditions of Corporate Advisor Options

Schedule 6	Terms and conditions of Listing Rule Waivers
Schedule 7	Summary of terms and conditions of Convertible Notes
Schedule 8	Terms and conditions of Conversion Options

A Proxy Form is located at the end of the Explanatory Memorandum.

2. Action to be taken by Shareholders

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolution.

2.1 Venue and voting information

The company is pleased to provide shareholders with the opportunity to attend and participate in a virtual Meeting through an online meeting platform powered by Automic.

Shareholders that have an existing account with Automic will be able to watch, listen, and vote online.

Shareholders who do not have an account with Automic are strongly encouraged to register for an account **as soon as possible and well in advance of the Meeting** to avoid any delays on the day of the Meeting. An account can be created via the following link investor.automic.com.au and then clicking on "register" and following the prompts. Shareholders will require their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) to create an account with Automic.

To access the virtual meeting on the day:

- (a) Open your internet browser and go to investor.automic.com.au
- (b) Login with your username and password or click "**register**" if you haven't already created an account. **Shareholders are encouraged to create an account prior to the start of the meeting to ensure there is no delay in attending the virtual meeting.**
- (c) After logging in, a banner will display at the bottom of your screen to indicate that the meeting is open for registration, click on "**Register**" when this appears. Alternatively, click on "**Meetings**" on the left-hand menu bar to access registration.
- (d) Click on "**Register**" and follow the steps.
- (e) Click on the URL to join the webcast where you can view and listen to the virtual meeting. Note that the webcast will open in a separate window.

Shareholders will be able to vote (see the "Voting virtually at the Meeting" section of this Notice of Meeting below) and ask questions at the virtual meeting.

2.2 Voting in person

To vote in person, attend the Meeting on the date and at the place set out above.

2.3 Voting virtually

Shareholders who wish to vote virtually on the day of the Meeting can do so through the online meeting platform powered by Automic.

Once the Chair of the Meeting has declared the poll open for voting click on "Refresh" within the platform to be taken to the voting screen.

Select your voting direction and click "confirm" to submit your vote. Note that you cannot amend your vote after it has been submitted.

For further information on the live voting process please see the Registration and Voting Guide at <https://www.automicgroup.com.au/>.

2.4 Voting by proxy

A Proxy Form is provided with the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
- (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;
- (c) if the proxy is the Chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- (d) if the proxy is not the Chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Section 250BC of the Corporations Act provides that, if:

- (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;
- (b) the appointed proxy is not the chair of the meeting;
- (c) at the meeting, a poll is duly demanded, or is otherwise required under section 250JA on the resolution; and
- (d) either the proxy is not recorded as attending the meeting or the proxy does not vote on the resolution,

the Chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

2.5 **Chair's voting intentions**

The Chair intends to exercise all available proxies in favour of all Resolutions, unless the Shareholder has expressly indicated a different voting intention.

2.6 **Submitting questions**

Shareholders may submit questions in advance of the Meeting to the Company. Questions must be submitted by emailing the Company Secretary at investors@k-tig.com by 4:00pm on 24 May 2023.

Shareholders will also have the opportunity to submit questions during the Meeting in respect to the formal items of business. In order to ask a question during the Meeting, please follow the instructions from the Chair.

The Chair will attempt to respond to the questions during the Meeting. The Chair will request prior to a Shareholder asking a question that they identify themselves (including the entity name of their shareholding and the number of Shares they hold).

3. **Conditional Transaction Resolutions**

Resolution 1 to Resolution 7 (inclusive) (**Transaction Resolutions**) are inter-conditional, meaning that each of them will only take effect if all of them are approved by the requisite majority of Shareholders' votes at the Meeting. If any of the Transaction Resolutions are not approved at the Meeting, none of the Transaction Resolutions will take effect and the Transaction and other matters contemplated by the Transaction Resolutions will not be completed.

4. **Background to the Transaction**

4.1 **Existing activities of the Company**

The Company was incorporated on 11 May 2012 and admitted to the Official List of ASX on 30 October 2012 as Magnolia Resources Limited. Following a re-compliance with Chapters 1 and 2 of the ASX Listing Rules, the Company was reinstated to Official Quotation on 9 October 2019 under its current name, K-TIG Limited.

The Company's securities were suspended from official quotation on 27 January 2023 at the request of the Company and have remained suspended since that date. On the same date, the Company announced that it had entered into a binding terms sheet.

On 21 March 2023, the Company entered into a formal share purchase agreement (**Acquisition Agreement**) with the securityholders of Graham Engineering Limited (**GEL**) whereby the Company will, on the satisfaction of various conditions precedent, acquire 100% of the issued capital in GEL (**Transaction**).

On Completion, GEL will become a wholly owned subsidiary of the Company, and the Company's main undertaking will be specialist manufacturing in the nuclear decommissioning industry.

4.2 The Transaction

(a) Acquisition Agreement

Completion under the Acquisition Agreement remains subject to satisfaction (or waiver) of certain key conditions precedent (refer to Section 4.7(b)(i) for further details of the Acquisition Agreement), including:

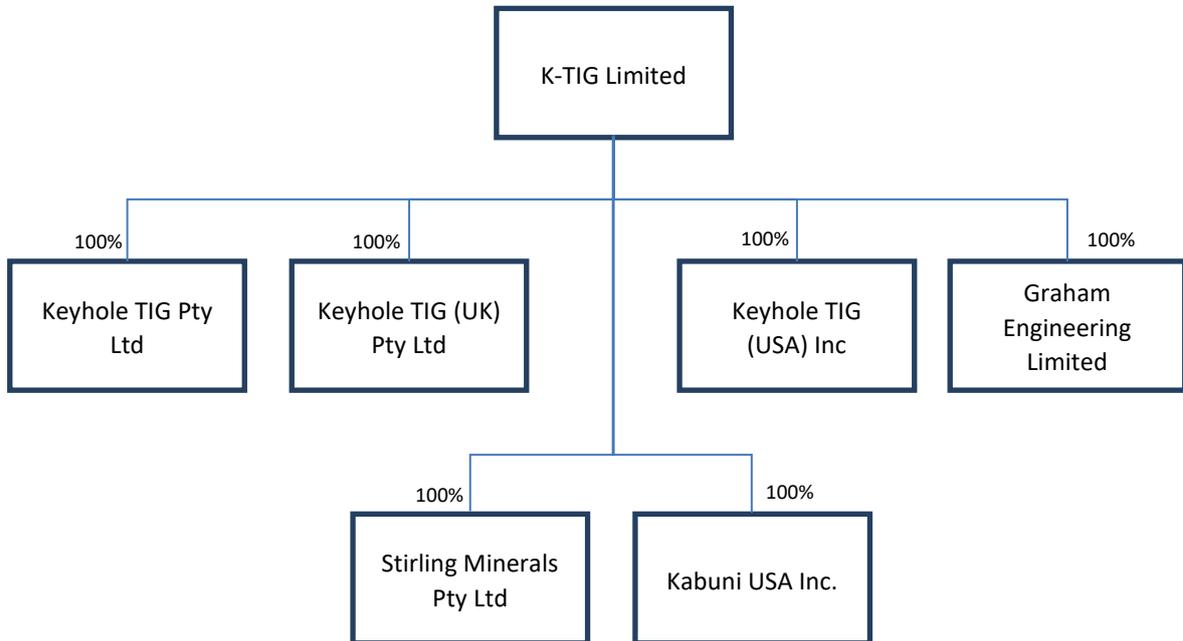
- (i) **(ASX Approval)** providing a conditional admission letter to the Company on terms satisfactory to the Company (acting reasonably);
- (ii) **(Company Shareholder Approval)** The shareholders of the Company approving the Transaction Resolutions;
- (iii) **(Funding)** The Company raising the Minimum Subscription of \$20,000,000 under the Public Offer and entering into a debt financing agreement for an amount of approximately \$10,000,000; and
- (iv) **(NSI Act)** the Company receives all notifications under the National Security and Investment Act 2021 (**NSI Act**) that no further action will be taken in relation to the Transaction;

The Company proposes to, subject to the receipt of Shareholders' approval of the Transaction Resolutions and the terms of the Acquisition Agreement (including the conditions precedent summarised in Section 4.2(a) above):

- (i) complete the consolidation of the Company's issued capital on a 2.50 to 1 basis (Resolution 1);
- (ii) raise up to \$25,000,000 (before costs) via a public offer of up to 125,000,000 Public Offer Shares (Resolution 3);
- (iii) issue up to 20,000,000 Conversion Securities, comprising up to 10,000,000 Conversion Shares (Resolution 5) and up to 10,000,000 Convertible Note Options (Resolution 6); and
- (iv) appoint Tony Eckford (**Proposed Director**) to the Board at Completion (Resolution 7).

(b) **Corporate Structure**

The diagram below summarises the corporate structure of the Company following Completion:



4.3 **Overview of Graham Engineering**

(a) **General overview**

GEL delivers high integrity manufacturing solutions to a wide variety of market sectors, including nuclear, aerospace, medical and security.

The engineering, manufacturing and assembly relating to these products and solutions takes place at GEL's premises in Lancashire, United Kingdom (**UK**), conveniently located for GEL's core customers.

GEL has continuously invested heavily in the latest manufacturing technology which has resulted in high-tech manufacturing capabilities backed by decades of engineering experience, efficient manufacturing techniques and comprehensive knowledge of materials.

GEL has a particular specialisation in highly technical markets of hazardous waste containers and leverages this skillset across a wider market sectors.

GEL has achieved long standing relationships with customers through the company's focus on quality, manufacturing products to the highest standards of performance.

(b) **Nuclear capabilities**

GEL have been supplying the nuclear sector since 1985 and have extensive experience in the manufacture of containments of all varieties, plant and equipment.

This extensive knowledge of producing 'nuclear product' and 'hazardous waste' containers for the Nuclear Industry includes High Level Waste Flasks, Intermediate Level 4m³ and 3m³ boxes, 3m³ Drums 500L drums, Low Level boxes and store furniture (i.e stillage's and MBGW stools). Product containers from 30ml to 80L for a wide range of product types. Most of the UK 3m³ ILW Boxes have been developed at GEL along with all the 500L ILW drums. The HLW WVP Flasks have been a single source supply from GEL for over 30 years.



Image: Product containers and drums produced by GEL for the UK nuclear decommissioning sector

GEL's existing customers in the nuclear sector include: Sellafield Limited (**Sellafield**), UK Atomic Energy Authority, Magnox and Dounreay.

(c) **Manufacturing capabilities**

GEL has developed a range of innovative manufacturing processes which are utilised throughout the entire production cycle.

GEL has extensive experience in aluminium, stainless steel and steel fabrications and has the capability to produce fabrications of up to seven tonnes. The Company can produce complete fabricated assemblies for nuclear waste containment and structural components.

All sheet and plate metals are processed through GEL's advanced plant and equipment, be it profiled via CNC, a laser cutting machine involving multi axis welding robotics or a variety of welding processes (including Robotics 3D Fibre Laser), 5 axis machining, large deep drawn pressing, forming, surface treatments (Vaqua Blasting), polishing, CMM inspection and final assembly.

To accurately meet the specific shapes and sizes of customer requirements, GEL has invested in a 10-kilowatt Bystronic ByStar laser cutting machine with a 4 x 2 metre bed.

This in-house laser cutting machine, along with three 4-kilowatt Prima laser cutting machines, support the in-house sheet metal production.

GEL operates the following major engineering capabilities:

- (i) laser cutting & welding;

- (ii) pressing;
- (iii) CNC machining;
- (iv) welding;
- (v) robotics;
- (vi) CMM inspection; and
- (vii) true position inspection robot.

GEL operates on site non-destructive testing services utilising x-ray, dye-penetrants and ultrasonic, along with the ability to permanently identify the product using fibre laser engraving technology.

High-quality manufacturing capabilities

Graham Engineering has advanced laser welding, plasma welding and deep drawing capabilities backed by decades of engineering experience and techniques



Industry-leading output

GEL has strict process controls and leading material traceability systems in place, which are crucial in the nuclear industry and in high-precision engineering





10kw Fibre Optic Laser
IPG Laser
Fanuc Robot
Cell One



10kw Fibre Optic Laser
IPG Laser
Fanuc Robot
Cell Two



TIG Robot Welding



Automated TIG
Fanuc Robot
Fronius Power Source

GEL's production staff are highly competent and 100% committed to quality.

GEL is certified to the Occupational Health & Safety Management System standard ISO 45001: 2018 by Lloyds Register. This provides a structured approach to hazard identification and risk management and helps to reduce accidents and occupational health issues through a safer working environment.

GEL holds the ISO 3834-2 Welding Certification and complies with the requirements set out by the EWF (European Welding Federation) and the IIW (International Institute of Welding).

GEL is certified to the Environmental Management System Standard ISO 14001: 2015 and is committed to protecting the environment and preventing pollution by ensuring that adequate controls are in place to protect its neighbours, the community and the environment.

(d) **Aerospace capabilities**

GEL has been actively involved in the aerospace industry since the early 1970's. GEL's ongoing Laser Suite investment for the profiling and welding of stainless steels and exotic metals has revolutionised the company's manufacturing processes, increasing consistency and accuracy whilst eliminating waste and cost.



(e) **Security capabilities**

GEL has over 45+ years' experience supplying precision components and complex fabricated assemblies manufactured to exacting specifications into the security market.

GEL is a trusted provider of products and solutions to meet the most demanding threat detection criteria at airports, border crossings, government, military installations and high-risk facilities around the world.

By utilising the vast experience of production techniques GEL has assisted in the development of the high specification parts required to maintain the clarity of imaging needed in this fast-moving environment. Taking the initial design and creating major cost savings through removal of excess materials and automatic manufacturing techniques has drastically reduced the end cost to the customer.

(f) **Medical capabilities**

GEL has over 45+ years' experience supplying demanding precision components and fabricated assemblies requiring stringent specifications at all times into the medical market.

GEL is a trusted provider of high-end fabrication services into the medical market. For many years GEL has worked with world leading companies within the Healthcare, Medical and Pharmaceutical industries.

GEL has entered into long term agreements for the supply of strategic pressure vessel components for the main chambers. GEL is also assisting in developing the next generation of high specification ground breaking equipment.

(g) **Current corporate structure**

The corporate group structure of GEL comprises a single entity, Graham Engineering Limited.

(h) **Financials**

GEL generated GBP £20,011,417 of revenue in 2021 and GBP £13,458,702 of revenue in 2022.

GEL's audited accounts for the financial year ending 31 August 2021 and 31 August 2022 are set out in Schedule 3 of this Notice.

(i) **Key management personnel of GEL**

As at the date of this notice, GEL currently employees approximately 170 employees. Key management personnel are noted below:

(i) **Tony Eckford**

Refer to Section 12.2 for a summary of Mr Eckford's background and experience.

(ii) **Stuart Fraser**

Mr Fraser has over 40 years of experience in manufacture at GEL with extensive and historic knowledge of product development. Mr Fraser is jointly responsible for the governance and strategic growth of the business, along with the effective growth of the business in all manufacturing and development activities. Mr Fraser will continue in this role following Completion.

(iii) **Frank Kelly**

Mr Kelly joined Graham Engineering in 2005 as a CIMA-qualified accountant, bringing with him more than 20 years of experience in delivering financial information and analysis to key stakeholders. Mr Kelly currently has overall responsibility for the direction and delivery of GEL's finance function. Mr Kelly will continue in this role following Completion.

(j) **Revenue model**

GEL focuses on several large customers from which it derives sustainable, long-term revenues and works with multiple other companies.

In 2022, revenue generated through Sellafield represented approximately 58.7% of GEL's revenue, while Jacobs and Siemens Healthcare generated 8.3% and 18.3% respectively.

As a solutions-focused provider of advanced engineering products, GEL enjoys long-term and collaborative contracts with its customer base.

GEL customers typically engage with GEL at an early state of product development, either with an initial design to effectively produce deliverables or seeking GEL's input to solve a particular problem. As such, GEL becomes a core collaborative partner, engaging in, for example, early-stage prototyping and testing.

Once awarded, the average length of material customer contracts is generally between one and five years which provides for a high degree of revenue visibility.

GEL has historically generated new sales through their development of customers' understanding of GEL's total capability for advanced welding techniques, largely through production and manufacturing demonstrations.

(k) **Strategy**

GEL possesses high level qualifications, reputation and experience that are required to operate in highly regulated markets.

GEL will continue to invest in automation and digitisation, along with state-of-the-art equipment, such as advanced laser welding, large CNC machining and inspection scanning robots, and deep drawing capabilities backed by decades of engineering experience and techniques.

Specifically, GEL intends to pursue the following opportunities within the nuclear sector, however, notes that there are no guarantees that the below opportunities may give rise to increased sales or new contracts:

(i) **Nuclear decommissioning sector:**

The Nuclear Decommissioning Authority (**NDA**) have defined a programme to cease operations and clean up 17 of the UK's earliest nuclear sites over a programme lasting around 120 years. With these increasing decommissioning activities in the UK, there is a continued and growing demand for waste containers.

(ii) **Advanced Modular Reactors and Small Modular Reactors:**

The Department for Business, Energy & Industrial Strategy (**BEIS**) announced its award in July 2020 of phase 2 Nuclear Innovation Programme Funding for Advanced Modular Reactors and Advanced manufacturing and Materials.

(iii) **Nuclear Fuel Cycle Activities:**

GEL continues to supply a variety of containers for waste products of reprocessing activities and continues to be engaged closely with the primary customer in product development, prior to full scale production.

Within the healthcare sector, GEL will investigate manufacturing of other medical diagnostic equipment including ultrasounds, computed tomography, mammography, molecular imaging, radio pharmacy, nuclear medicine and radiography.

Within the aerospace sector, GEL intends to work closely with leading aerospace companies on various product developments.

(l) **Industry overview**

(i) **Nuclear decommissioning market**

According to the Orbis Research report, the Global Nuclear Decommissioning Services Market was valued at \$6.1bn in 2021, and is estimated to reach \$9bn by 2030, with a Compound Annual Growth Rate of 5.1%.

Major factors driving the growth of the market include the increasing number of nuclear reactors reaching operational retirement, declining prices of renewable power generation sources, rendering nuclear power less economical, and growing sensitivity toward environmental issues. According to the IEA, nearly 200 operating reactors are expected to retire by 2040 with the majority of shutdowns expected to come from the EU, the US, Japan and Russia.

EMEA led the market in 2021 with a market share of 47.0%. This region is expected to dominate the market through to 2030, with an increase in its market share by nearly 5.3%.

The UK's nuclear decommissioning industry generates more than £3bn of business per year in the UK and over 21% is spent with SMEs. In particular, the NDA, working with UKTI, has helped around 30 UK businesses, including SMEs, to secure work in the global market.

Defueling and decommissioning are funded by the Nuclear Liabilities Fund, which is backed by the UK Government. According to the NDA's Business Plan, total planned expenditure for 2022/23 is £3.64bn, of which £2.8bn will be funded by the UK Government. The BEIS settlement within the UK Government's 2020 spending review included an allocation of £23.38bn towards the NDA for safe decommissioning. The 2019 forecast showed future clean-up costs across the UK of around £130bn spread across the next 120 years, with the highest spend rate over the next 40 years.

Nearly three quarters of all UK radioactive waste is from Sellafield in Cumbria. Sellafield alone has more than 10,000 people employed on their site and has a planned expenditure of £2.2bn for 2022/2023.

(ii) **Aerospace market**

The UK aerospace sector is the second largest in Europe, and third largest globally, generating £35bn in GDP.

The UK government has committed to spend £3.9bn in aerospace research & development through to 2026.

(iii) **Security market**

The global X-ray security scanner market was estimated by Global Market Insights to be worth GBP 3bn in 2022 and is forecast to grow by 5% CAGR to 2028 with a value of GBP 6bn.

The global market for X-ray security scanners is growing in line with infrastructure development and legislative requirements. Airports in particular, being the biggest end-user of these systems, are noticing high investments in their infrastructure.

(iv) **Healthcare market**

The global MRI equipment market was estimated by Fortune Business Insights to be worth GBP 5.5bn in 2021 and is forecast to grow by 6.5% CAGR in eight years to 2029 with a value of GBP 9.01bn.

4.4 **Dividend Policy**

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend upon matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements, general business and other factors considered relevant by the Directors. No

assurances are given in relation to the payment of dividends, or that any dividends may attach franking credits.

4.5 **ASX Guidance Note 12 - Annexure A Disclosure**

ASX Guidance Note 12 - Annexure A (**Annexure A**) sets out various disclosure requirements that an entity must satisfy prior to its securities being reinstated to trading. The Company provides the following disclosure in accordance with Annexure A, to the extent that the information has not been provided elsewhere in this Notice.

(a) **Parties and material terms of the Transaction**

Refer to Section 4.2(a) for a summary of the material terms of the Acquisition Agreement.

GEL has three existing shareholders (collectively, the **Sellers**):

- (i) the trustees of the Corry Thomas Graham (deceased) Will Trust;
- (ii) Peter Manley; and
- (iii) Pauline Graham.

None of the Sellers are a related party of the Company. A further two optionholders of GEL (Frank Kelly and Stuart Fraser) (**GEL Optionholders**) are expected to exercise their options (**GEL Options**) prior to Completion (**GEL Option Exercise**). Neither of the GEL Optionholders are a related party of the Company.

Assuming the GEL Optionholders exercise the GEL Options immediately prior to Completion, the Sellers and the GEL Optionholders will hold the following interests in GEL shares:

Name	Number of GEL shares held	%¹
The trustees of the Corry Thomas Graham (deceased) Will Trust	84,000	79.80
Peter Manley	10,000	9.50
Pauline Graham	6,000	5.70
Frank Kelly	2,631 ⁽²⁾	2.50
Stuart Fraser	2,631 ⁽²⁾	2.50

Notes:

1. Assumes that no further shares are issued.
2. Assumes completion of the GEL Option Exercise.

(b) **Transaction Analysis**

Set out at Schedule 2 is information about the effect of the Transaction based on reviewed accounts of the Company as at 31 December 2022 and audited accounts of GEL as at 31 August 2022.

(c) **Capital structure**

Refer to Section 4.11.

(d) **Issues in the previous six months**

GEL has not issued any securities in the six months preceding the date of this Notice. However, the Acquisition Agreement contemplates the GEL Optionholders exercising their options in GEL contemporaneously with Completion.

In the six months preceding the date of this Notice, the Company has made the following issues of Securities:

- (i) 1,500,000 Shares issued to Adrian Smith on 30 December 2022 (approved by Shareholders 27 November 2020) following the second anniversary of his appointment as an executive Director of the Company. The Shares were issued as a component of Mr Smith's remuneration package in accordance with his executive services agreement and, as such, nil cash consideration was paid, no funds were raised as a result of the issue and the issue was not underwritten.
- (ii) 428,571 Shares issued to Non-Executive Directors, Anthony McIntosh and Trish White, on 30 December 2022 (approved by Shareholders on 30 November 2022) pursuant to their participation in the capital raising announced by the Company on 15 February 2022. The Company raised a total of approximately \$4,000,000 (before costs) under the placement through the issue of 11,428,571 Shares at an issue price of \$0.35 per Share. Mr McIntosh subscribed for 285,714 Shares and Ms White subscribed for 142,857 Shares to raise an aggregate of approximately \$150,000 (before costs). Funds raised under the placement were used to accelerate the Company's growth strategy in the nuclear and defence sectors, new strategic partner alliances to increase market penetration, R&D and for ongoing working capital requirements. The placement was not underwritten.
- (iii) 280,000 Shares issued on 3 March 2023 to an employee under the employee incentive scheme. The issue was not underwritten and no funds were raised as a result of the issue.
- (iv) On 16 March 2023, the Company announced that it had received binding commitments for the issue of 2,000 Convertible Notes with a face value of \$1,000 each to raise \$2,000,000 (before costs). The offer is not underwritten. The key terms of the Convertible Notes are summarised in Schedule 7. The Convertible Notes will be issued to professional and sophisticated investors, none of whom are a related party of the Company. Funds raised through the issue of Convertible Notes will be used for sales and marketing, to progress UK nuclear strategic initiatives, to pay expenses of the Transaction and Public Offer, and for working capital purposes.

(e) **Proposed issues of Securities**

Prior to re-admission, the Company will undertake the issues of Securities set out in:

- (i) Resolution 3;

- (ii) Resolution 4;
- (iii) Resolution 5; and
- (iv) Resolution 6.

GEL does not propose to issue any securities prior to the Company's re-admission to the Official List other than the GEL Option Exercise.

Following the GEL Option Exercise, Frank Kelly and Stuart Fraser will be issued shares in GEL as follows:

Name	Number of GEL shares to be issued	Issue price per GEL share	Total exercise price payable by GEL Optionholder
Frank Kelly	2,631	£1.00	£28,757
Stuart Fraser	2,631	£1.00	£28,757

No funds will be raised pursuant to the GEL Option Exercise. The Company will at Completion, enter into a separate share purchase agreement with the GEL Optionholders under which the GEL Optionholders will agree that the Company may withhold the Total Exercise Price Payable by the GEL Optionholder (as set out above) from the Completion Payment otherwise payable to the GEL Optionholders in their respective proportions.

(f) No change in control

No person will acquire control of, or voting power of 20% or more, in the Company as a result of the Transaction.

(g) Changes to the Board

It is proposed that Tony Eckford be appointed as a Non-Executive Director subject to Shareholders approving Resolution 7.

Refer to Section 4.15 for further details on the composition of the Board.

(h) Timetable

Refer to Section 4.14.

(i) Principal activities and jurisdictions

Refer to Section 4.3. The Company's activities following Completion will be conducted in the UK.

(j) Graham Engineering business model and dependencies and risks

Refer to Section 4.3(c) to 4.3(f) (inclusive) for a summary of GEL's manufacturing capabilities and products intended to be supplied by the Company.

Refer to Section 4.3(j) for a summary of GEL's revenue model and Section 4.3(k) for a summary of GEL's strategy and business model.

The main expenses for GEL are:

- (i) salaries and wages;
- (ii) equipment purchases;
- (iii) corporate expenses; and
- (iv) marketing and business development.

Refer to Section 5 for a summary of key risks facing the Company and Merged Group.

(k) **Graham Engineering Accounts**

Refer to Schedule 3 for GEL's audited accounts for the year ended 31 August 2022.

(l) **Regulatory Approvals and Waivers**

The Company must obtain clearance under the *National Security and Investment Act 2021* (UK) (**NSI Clearance**) in order to complete the Acquisition Agreement. As at the date of this Notice, the Company is in the process of obtaining the NSI Clearance and is not aware of any reasons why the NSI Clearance will not be granted.

The Company has obtained in-principle advice from ASX that:

- (i) ASX is not aware of any reasons that would cause KTG not to have a structure and operations suitable for a listed entity for the purposes of Listing Rule 1.1 condition 1 or that would cause ASX to exercise its discretion to refuse re-admission to the Official List under Listing Rule 1.19; and
- (ii) on receipt of an application for admission to the official list, ASX, is likely to:
 - (A) confirm that GEL is not a "classified asset" for the purposes of Listing Rule 1.1 condition 11; and
 - (B) is likely to confirm that the offer of Convertible Notes on the terms and conditions in Schedule 7 to raise \$2,000,000 (before costs) is not a 'pre-emptive capital raising' for the purpose of section 3.4 of Guidance Note 12, subject to certain conditions.

ASX provided verbal confirmation to the Company that the terms of the Convertible Notes were not inconsistent with Listing Rule 6.1.

The terms and conditions of the above ASX in-principle decisions are set out in Schedule 6.

(m) **Appropriate Enquiries**

The Company has undertaken appropriate enquiries into the assets and liabilities, financial position and performance, profits and losses and prospects of GEL to be satisfied that the Transaction is in the interests of the Company and its security holders.

As part of its enquiries, as at the date of this Notice, the Company has completed legal and financial due diligence on GEL's operations.

The Directors confirm that this Notice includes all material and accessible information available to the Directors as at the date of this Notice.

(n) **Reinstatement on ASX**

Refer to Section 4.6.

(o) **ASX takes no responsibility**

ASX takes no responsibility for the contents of this Notice or the Explanatory Memorandum.

(p) **Listing Rule 3.1**

The Company confirms that it is in compliance with its continuous disclosure obligations under Listing Rule 3.1.

4.6 **Reinstatement on ASX**

As the Company is currently proposing to make a significant change in the nature and scale of the Company's activities through the acquisition of GEL, the Company must re-comply with the admission and quotation requirements set out in Chapters 1 and 2 of the Listing Rules prior to its securities recommencing quotation on ASX.

Pursuant to Listing Rules 11.1.2 and 11.1.3, the change in the nature and scale of the Company's activities requires the approval of Shareholders and the Company to re-comply with the admission and quotation requirements set out in Chapters 1 and 2 of the Listing Rules. The Transaction will not proceed if Shareholder approval is not obtained for all of the Transaction Resolutions, including for the purposes of Listing Rule 11.1.2 (Resolution 2).

The Company's Shares have been suspended from trading on ASX since 27 January 2023 and will not be reinstated unless each Transaction Resolution is passed by Shareholders and ASX is satisfied the Company has met the requirements of Chapters 1 and 2 of the Listing Rules.

Some of the key requirements of Chapters 1 and 2 of the Listing Rules are:

- (a) the Company must satisfy the shareholder spread requirements relating to the minimum number of Shareholders and the minimum value of the shareholdings of those Shareholders; and
- (b) the Company must satisfy the "assets test" as set out in Listing Rule 1.3.

It is expected that the conduct of the Public Offer (for which Shareholder approval is sought pursuant to Resolution 3) will enable the Company to satisfy the above requirements.

In the event that the Company does not receive conditional approval for re-admission to the Official List, the Company will not proceed with the Public Offer. In this regard, the Company notes that:

- (a) ASX has an absolute discretion in deciding whether or not to re-admit the Company to the Official List and to quote its securities and therefore the Transaction may not proceed if ASX exercises that discretion to not re-admit the Company; and

- (b) investors should take account of these uncertainties in deciding whether or not to buy or sell the Company's securities.

The Company has sought in-principle advice from ASX in which ASX has set out, on an in-principle basis, that it has not identified any reasons to date, to exercise its discretion to prevent the Company from being re-admitted to the Official List. Investors are cautioned however, that such advice is not binding and cannot be relied upon to prevent ASX from exercising its discretion as it sees fit.

4.7 **Material contracts and arrangements**

The Directors consider that certain contracts entered into by the Company and Graham Engineering are material to the Company and the Merged Group or are of such a nature that an investor may wish to have particulars of them when assessing whether to approve the Transaction or apply for Shares under the Public Offer. The provisions of such material contracts and arrangements are summarised in this Section.

(a) **Graham Engineering material contracts and arrangements**

(i) **Sellafield**

GEL has been delivering equipment and structures that are used in the management of radioactive waste stored in waste ponds as well as nuclear waste containers to Sellafield for over a decade. GEL is currently contracted with Sellafield under the Container Supply Agreement (defined below) and other framework contracts to perform and deliver work for Sellafield under existing purchase orders. GEL is tendering for long term follow on contracts with Sellafield. Sellafield is GEL's largest customer and comprises approximately 58.7% of GEL's revenue in 2022.

(A) **Sellafield – HISSC Agreement 2020**

GEL is party to an agreement with Sellafield dated 4 November 2020 (**Container Supply Agreement**) for the supply and delivery of stainless steel containers, stillages, drums, waste boxes, stools, cans and packages (**Containers**) to the Sellafield Site. Containers are supplied pursuant to individual purchase orders (**Order**) under the Container Supply Agreement.

GEL receives payment on a per unit basis at prices agreed under the Container Supply Agreement. The Container Supply Agreement is for a fixed quantity of Containers which can be increased or decreased by Sellafield giving GEL 3 months' notice.

The Container Supply Agreement expired on 24 November 2022, however, there are still outstanding orders that GEL is yet to complete under the Container Supply Agreement.

In November 2022, GEL received further purchase orders under the Container Supply Agreement, with delivery expected to occur through to financial year 2024 / 2025.

Sellafield may terminate the Container Supply Agreement:

- (1) immediately by notice where GEL undergoes a change of control which adversely changes the identity of GEL and/or may in Sellafield's opinion contravenes procurement law;
- (2) immediately by notice where GEL experiences an insolvency event, breaches certain laws or commits prohibited acts;
- (3) or any Order by written notice if GEL commits a material or persistent breach of its obligations and the breach is not remedied within the specified time; and
- (4) for convenience at any time on reasonable notice to GEL, which must be at least 30 days.

GEL can terminate the Container Supply Agreement if Sellafield is in a material breach of its obligations to pay undisputed charges by giving Sellafield 60 working days' notice and Sellafield fails to appropriately remedy the breach.

Upon termination, GEL must either cancel all relevant orders or complete performance of any outstanding orders determined by Sellafield not to be cancelled.

(ii) **Jacobs – Sub-contract**

GEL is party to a subcontract agreement with Jacobs Field Services Limited (**Jacobs**) dated 3 December 2020 (**Jacobs Subcontract**) pursuant to which it provides works and services to Jacobs relating to the provision of 3m³ box internal furniture and mechanical handling equipment (**Works**).

The Works were due to be completed on 24 March 2022 but remain ongoing and are expected to be completed in financial year 2023 / 2024 as a result of customer driven design changes.

Jacobs may terminate the Jacobs Subcontract for convenience (subject to payment of amounts owing to GEL).

GEL is required to inform Jacobs of any change in ownership or control where any single investor acquires more than 10% of GEL's issued capital or appoints more than one third of the board of directors.

Jacobs is a key customer of GEL.

(iii) **Siemens – Master Purchase Agreement**

GEL is party to a master purchase agreement with Siemens Healthcare dated 7 August 2018 (**Master Purchase Agreement**) pursuant to which it provides stainless steel dished ends for using in the pressure vessel sub-assemblies of superconducting magnets.

GEL receives payment on a per unit basis. GEL is required to use reasonable endeavours to improve productivity and reduce overall costs, including manufacture and supply.

The Master Purchase Agreement is automatically extended for 1 year on a rolling basis unless either party provides 6 months' notice to the other party of their intention to discontinue.

Siemens must provide 4 weeks' notice in order to discontinue purchasing a product under the Master Purchase Agreement.

Siemens may terminate the Master Purchase Agreement:

- (A) for convenience on 6 months' notice; or
- (B) immediately by notice if:
 - (1) there is a change of control in GEL, however, Siemens has provided its consent to the change of control resulting from the Transaction and waived its rights to terminate its agreements with GEL in respect of the Transaction;
 - (2) GEL does not comply with the code of conduct; or
 - (3) GEL unreasonably impedes Siemens' right to audit.

Either party can terminate immediately by notice if:

- (A) the other party commits a material breach of its obligations and fails to remedy the breach; or
- (B) the other party appoints an administrator or is being wound up.

On termination, GEL shall provide reasonable access and assistance to enable Siemens to retrieve the assets provided under the Master Purchase Agreement.

Siemens is GEL's second largest customer and contributed to approximately 18.3% of GEL's revenue in 2022.

(b) **Company material contracts**

(i) **Acquisition Agreement**

The Company entered the Acquisition Agreement with the securityholders of GEL on 21 March 2023, whereby the Company will, on the satisfaction of various conditions precedent, acquire 100% of the issued capital in GEL.

The key terms of the Acquisition Agreement are as follows:

- (A) the Sellers are:
 - (1) Pauline Graham, Sharon Ann Davall, Corrina Marie Graham-Hodson and Kelly Louise Sparkes as the trustees of the late Corry Thomas Graham (deceased);
 - (2) Peter Manley; and
 - (3) Pauline Graham.

Two GEL Optionholders will enter into a separate share purchase agreements with the Company. The GEL Optionholders will deliver notices of exercise in respect of the GEL Options to GEL and agree to transfer the underlying GEL Shares to the Company;

(B) the Company has agreed to acquire 100% of the issued capital in GEL from the Sellers and the GEL Optionholders on completion of the Transaction (**Completion**);

(C) consideration payable by the Company to the Sellers and GEL Optionholders is as follows (subject to adjustment):

- (1) £10,000,000 plus the freehold property value (**Completion Payment**);
- (2) a deferred payment amount (**Deferred Payment Amount**) (if applicable) determined based on GEL's earnings before interest, tax, depreciation and amortisation for the 12 month period ending on 31 August 2023 as derived from the audited accounts for GEL for the financial year ended on 31 August 2023 (**2023 EBITDA**) as follows;

2023 EBITDA	Deferred Payment Amount
less than £1,700,000	£0
between £1,700,000 and £2,289,999 (inclusive)	£500,000 plus £2.933333 for each £1 of EBITDA above £1,700,000
between £2,290,000 and £2,449,999 (inclusive)	£650,000 plus £2.933333 for each £1 of EBITDA above £1,700,000
£2,450,000 or greater	£3,000,000

- (3) an amount representing the net profit after tax of GEL (based on GEL's audited accounts for the financial year ending 31 August 2023 and pro-rated by the relevant number of days between 31 August 2022 and Completion) for the period from and excluding 31 August 2022 to and including the date that is 15 business days after the satisfaction or waiver of the Conditions Precedent (**Completion Date**) less capital expenditure incurred by GEL from and excluding 31 August 2022 to and including the Completion Date (based on GEL's audited accounts for the financial year ending 31 August 2023 and pro-rated by the relevant number of days between 31 August 2022 and Completion);

(D) (**Conditions Precedent**) the Transaction is subject to the following conditions precedent:

- (1) (**ASX Approval**) providing a conditional admission letter to the Company on terms satisfactory to the Company (acting reasonably);

- (2) **(Company Shareholder Approval)** The shareholders of the Company approving the Transaction Resolutions;
 - (3) **(Funding)** The Company raising the Minimum Subscription of \$20,000,000 under the Public Offer and entering into a debt financing agreement for an amount of approximately \$10,000,000 on terms and conditions acceptable to the Company in its absolute discretion; and
 - (4) **(NSI Act)** the Company receives all notifications under the NSI Act that no further action will be taken in relation to the Transaction;
- (E) **(Seller Warranties)** the Sellers have provided the Company, representations and warranties considered standard for agreements of this nature.

(ii) **Lead Manager Mandate**

The Company entered into a lead manager mandate dated 22 February 2023 appointing Morgans to act as exclusive lead manager and broker in respect of the Public Offer (**Lead Manager Mandate**).

Under the Lead Manager Mandate, the Lead Manager will provide services and assistance customarily provided in connection with marketing and execution of an initial public offer.

The Company paid 5% of the proceeds of the Convertible Note Raise to the Lead Manager in respect of the Convertible Note Raise (see Section 10.1 below) and will pay the following fees to the Lead Manager (or its nominees) pursuant to the Lead Manager Mandate subject to the successful completion of the Public Offer:

- (A) a management fee of 2% of the proceeds from the Public Offer; and
- (B) a selling fee of 3% of the proceeds of the Public Offer.

The Lead Manager Mandate contains a \$100,000 break fee and additional provisions considered standard for agreements of this nature.

(iii) **Corporate Advisor Mandate**

The Company entered into a mandate dated 6 February 2023 (**Corporate Advisor Mandate**) engaging SRG Partners to provide corporate advisory services in connection with the Transaction.

The Company has agreed to pay the Corporate Advisor the following fees upon Completion:

- (A) a cash amount equal to 2% of the gross amount raised as part of the Transaction (including the Public Offer and the Convertible Note Raise) capped at \$440,000;
- (B) 1,125,000 Shares (on a post-Consolidation basis) (**Corporate Advisor Shares**); and

- (C) 2,000,000 Options (on a post-Consolidation basis) (**Corporate Advisor Options**).

The Company must reimburse the Corporate Advisor for all costs and expenses incurred by the Corporate Advisor in connection with the Transaction. The Corporate Advisor must obtain the Company's consent before incurring any cost which exceeds \$1,000 (excluding GST).

The Corporate Advisor Mandate can be terminated by either party:

- (A) giving one month's written notice to the other party;
- (B) upon the other party committing any material or persistent breach of its obligations under the Corporate Advisor Mandate (where such breach has not been rectified within 14 days of the party in breach receiving a notice identifying the breach and requiring its remedy); or
- (C) giving notice of termination upon the other party becoming insolvent.

The Corporate Advisor Mandate contains additional provisions considered standard for agreements of this nature.

(iv) **Convertible Note Agreements**

On 16 March 2023, the Company announced that it had raised \$2,000,000 (before costs) through the issue of up to 2,000 convertible debt notes with a face value of \$1,000 each.

The key terms of the Convertible Notes are summarised in Schedule 7.

(v) **Robotic Welding Cell Project Agreement**

The Company entered into a project agreement with The University of Sheffield – Nuclear Advanced Manufacturing Research Centre (**Nuclear AMRC**) on 8 February 2022 (**RWC Agreement**) pursuant to which the Company and Nuclear AMRC agreed to collaborate to develop a robotic welding cell (**RWC**) within a nuclear industry technology demonstration facility (**Project**). The announcement followed the Company's earlier announcement on 11 December 2019 disclosing that it had become a member of the UK Nuclear AMRC, following the signing of a membership agreement.

The Project will ensure the Company is well placed to become a supplier of intermediate level waste containers to Sellafield. The Project will also create further competitive advantage for the Company's core product through integrating advanced welding quality control and quality assurance mechanisms for the Company's market leading K-TIG Evolve 3 controller.

The Company notes that no revenue is directly expected from this agreement and that the costs associated with developing the RWC are an investment by the Company.

The key terms of the RWC Agreement are as follows:

- (A) (**Intellectual Property**): the Company has the sole and exclusive rights to all intellectual property created specifically for the purpose of

the RWC Agreement or arising as a result of the performance of Nuclear AMRC's obligations under the RWC Agreement (**New IP**) except for intellectual property agreed and recorded as being owned by Nuclear AMRC before the date of the RWC Agreement or created independently of the RWC Agreement (**Background IP**) created by the Project. Nuclear AMRC grants the Company an irrevocable, non-exclusive, transferable licence to use, adapt, copy and distribute the Background IP relevant to the Project and any New IP that subsists in the work or output of the Project;

- (B) (**Funding and resources**) the Company is the primary funder of the Project and will furnish the Project will all necessary capital equipment and services;
- (C) (**Termination without cause**): either party may terminate the RWC Agreement at any time by giving three months' notice;
- (D) (**Termination for breach**): either party may terminate by written notice for a material breach of the other party which:
 - (1) has not been remedied within 30 days of notification; or
 - (2) cannot be remedied; or
 - (3) although is not of itself material, is part of a number of breaches where the cumulative impact does constitute a material breach;
- (E) (**Termination for insolvency**): either party may terminate by written notice where the other party is subject to an insolvency event; and
- (F) (**Liability**): the total liability of each party in connection with the RWC Agreement is limited to £750,000.

(vi) **Brewery Chemical & Dairy Engineering Limited**

On 9 January 2023, the Company announced that it had received a EURO €385,000 (~A\$600,000) purchase order from Ireland based Brewery Chemical & Dairy Engineering Limited (BCD Engineering) for the supply and onsite commissioning of a Linear Precision Grow Line Circumferential Welding System.

(vii) **Company Secretarial Mandate**

The Company entered into an agreement with Ventnor Capital on or about 14 November 2022 to provide company secretarial, financial accounting and bookkeeping services (**Company Secretarial Mandate**). The Company agreed to pay Ventnor Capital a monthly fee of \$6,000 (exclusive of GST) in consideration for the provision of these services. For services provided by Ventnor Capital to the Company that are outside of this scope, Ventnor Capital is entitled to be paid additional fees, calculated on an hourly basis at fixed rates.

The Company Secretarial Mandate is for a term of 12 months, and will automatically renew for a further 12 months after the expiry of each 12 month period.

Either party may terminate the Company Secretarial Mandate by giving 3 months' notice.

The Company Secretarial Mandate contains additional provisions considered standard for agreements of this nature.

Stuart Carmichael, a Director of the Company, was a director and shareholder of Ventnor Capital until 1 February 2023.

(viii) **Ongoing negotiations**

As is customary, the Company regularly tenders for new projects and at the date of the Prospectus has an active tender list at various stages of discussions. The Company cautions investors that tendering is a competitive process and there are no guarantees that project tenders will be successful.

4.8 **Escrow arrangements**

Subject to the Company's Shares being reinstated to trading on the ASX, certain Shares and Options in the Company will be classified by ASX (in its absolute discretion) as restricted securities and will be required to be held in escrow for up to 24 months from the date of reinstatement.

The Securities likely to be subject to escrow are the Corporate Advisor Securities. Shares offered under the Public Offer will not be subject to any escrow restrictions.

Prior to the Company's Shares being reinstated to trading on the ASX, the Company will enter into escrow agreements with the recipients of the restricted securities or issue escrow notices in accordance with Chapter 9 of the Listing Rules, and the Company will announce to ASX full details (quantity and duration) of the Securities required to be held in escrow.

4.9 **Public Offer**

As set out in 4.2(a) above, one of the conditions precedent to Completion is the completion of the Public Offer.

The Company is seeking to raise a minimum of \$20,000,000 (before costs) (**Minimum Subscription**) and a maximum of \$25,000,000 (before costs) (**Maximum Subscription**) through an offer of a minimum of 100,000,000 Shares and a maximum of 125,000,000 Shares (**Public Offer Shares**) at an issue price of \$0.20 per Share (on a post-Consolidation basis) (the **Public Offer**).

The Company has appointed Morgans Corporate Limited (**Lead Manager** or **Morgans**) as lead manager to the Public Offer on the terms set out in 4.7(b)(ii).

4.10 **Pro forma balance sheet**

A pro forma statement of financial position of the Company as at 31 December 2022 based on the reviewed accounts of the Company and audited accounts of GEL is set out in Schedule 4.

4.11 **Effect on capital structure**

The proposed capital structure of the Company following Completion (on a post-Consolidation basis) is set out below:

Shares	Number of Shares (Minimum Subscription)	%	Number of Shares (Maximum Subscription)	%
Existing Shares (pre-Consolidation) ¹	183,319,832	-	183,319,832	-
Existing Shares (post-Consolidation) ¹	73,327,933	39.75	73,327,933	35.01
Public Offer Shares ²	100,000,000	54.21	125,000,000	59.68
Corporate Advisor Shares ³	1,125,000	0.61	1,125,000	0.54
Conversion Shares ⁴	10,000,000	5.42	10,000,000	4.77
Total (post-Consolidation)	184,452,933	100	209,452,933	100

Notes:

1. The Company intends to undertake a consolidation of its issued capital on a consolidation ratio of 2.50 to 1, the subject of Resolution 1. The final number of Existing Shares (post-Consolidation) may change as a result of rounding.
2. Refer to Section 4.9 for details of the Public Offer.
3. Refer to Section 4.7(b)(iii) for a summary of the Corporate Advisor Mandate.
4. Refer to Section 10.1 for further details of the Convertible Notes.

Options	Number of Options	%
Existing Options (pre-Consolidation) ¹	6,612,152	-
Existing Options (post-Consolidation) ²	2,644,861	18.06
Corporate Advisor Options ³	2,000,000	13.66
Conversion Options ⁴	10,000,000	68.28
Total (post-Consolidation)	14,644,861	100

Notes:

1. Comprising 6,612,152 unquoted Options exercisable at \$0.30 on or before 30 September 2023.
2. Comprising 2,644,861 unquoted Options exercisable at \$0.75 on or before 30 September 2023.
3. Refer to Schedule 5 for a summary of the terms and conditions of the Corporate Advisor Options.
4. Refer to Schedule 8 for a summary of the terms and conditions of the Conversion Options.

Performance Rights	Number of Performance Rights	%
Existing Performance Rights (pre-Consolidation) ¹	6,000,000	-
Existing Performance Rights (post-Consolidation) ²	2,400,000	100

Total (post-Consolidation)	2,400,000	100
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Notes:

1. Comprising:
 - (a) 2,000,000 performance rights vesting when the Company achieves a 20-day VWAP of at least \$0.35 (pre-Consolidation) before 1 April 2021. These performance rights have vested but have not been converted into Shares. The holder may exercise the right to convert the performance rights into Shares at any time prior to their expiry date of 22 December 2025;
 - (b) 2,000,000 performance rights vesting when the Company achieves a 20-day VWAP of at least \$0.50 (pre-Consolidation) before 1 October 2021. These performance rights have vested but have not been converted into Shares. The holder may exercise the right to convert the performance rights into Shares at any time prior to their expiry date of 22 December 2025; and
 - (c) 2,000,000 performance rights vesting when the Company achieves a 20-day VWAP of at least \$0.75 (pre-Consolidation) before 1 October 2022.
2. 1,600,000 of these performance rights have vested and may be converted into Shares at any time prior to their expiry date of 22 December 2025.

4.12 Substantial Shareholders' voting power

As at the date of this Prospectus, the following Shareholders hold a relevant interest in 5% or more of the Shares on issue (on a pre-Consolidation basis):

Name	Number of Shares	% of Shares
Advanced Science & Innovation Company (ASIC) Llc	19,717,068	10.76
HSBC Custody Nominees (Australia) Limited	17,936,977	9.78
Mr Neil Garry Le Quesne <Stirling Group A/C>	11,962,407	6.53

Based on the information known as at the Prospectus Date, on Reinstatement the following persons will have an interest in 5% or more of the Shares on issue (on a post-Consolidation basis):

Name	Number of Shares	% of Shares (Minimum Subscription)	% of Shares (Maximum Subscription)
Advanced Science & Innovation Company (ASIC) Llc	7,886,828	4.28	3.77

4.13 Proposed use of funds

Following the Public Offer, it is anticipated that the following funds will be available to the Company:

Source of funds	\$ (Minimum Subscription)	%	\$ (Maximum Subscription)	%
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Existing cash ⁽¹⁾	1,914,639	6.00	1,914,639	5.19
Acquisition debt funding	10,000,000	31.33	10,000,000	27.09
Funds raised from the Capital Raising	20,000,000	62.67	25,000,000	67.72
Total funds	31,914,639	100.00	36,914,639	100.00

Notes:

1. Based on the Company's cash balance as at 31 March 2023.

The Company intends to use the funds raised under the Public Offer based on Minimum and Maximum Subscription, together with the Company's estimated existing cash reserves post-Transaction as follows:

Minimum Subscription	Year 1 (\$)	Year 2 (\$)	Total (\$)	%
Completion Payment ¹	17,600,000	-	17,600,000	55.15
Acquisition of GEL Property ²	7,920,000	-	7,920,000	24.82
Lead Manager /Advisor Fees ³	1,400,000	-	1,400,000	4.39
Market expansion ⁴	1,000,000	1,000,000	2,000,000	6.27
Estimated expenses of Transaction and Public Offer ⁵	600,000	-	600,000	1.88
General administration fees and working capital ⁶	1,197,320	1,197,319	2,394,639	7.50
Total	29,717,320	2,197,319	31,914,639	100.00

Maximum Subscription	Year 1 (\$)	Year 2 (\$)	Total (\$)	%
Completion Payment ¹	17,600,000	-	17,600,000	47.68
Acquisition of GEL Property ²	7,920,000	-	7,920,000	24.45
Lead Manager /Advisor Fees ³	1,690,000	-	1,690,000	3.39
Market expansion ⁴	2,000,000	4,000,000	6,000,000	16.25
Estimated expenses of Transaction and Public Offer ⁵	600,000	-	600,000	1.63

General administration fees and working capital ⁶	1,772,320	1,772,319	3,544,639	9.60
Total	31,142,320	5,772,319	36,914,639	100.00

Notes:

1. See Section 4.7(b)(i)(C) for a summary of fees payable under the Acquisition Agreement. The Company intends to pay the Deferred Payment Amount out of existing capital or working capital facility.
2. See Section 4.7(b)(i)(C) for a summary of fees payable under the Acquisition Agreement.
3. See Section 4.7(b)(ii) and 4.7(b)(iii) for a summary of fees payable to the Lead Manager and Corporate Advisor.
4. The Company intends to use approximately \$2,000,000 of the capital raised under the Public Offer (assuming Minimum Subscription), or approximately \$6,000,000 (assuming Maximum Subscription) to expand the Company's market presence, industrial, design and engineering capabilities in the UK and international nuclear sector.
5. The expenses of the Transaction and Public Offer consist of estimated legal fees, ASX and ASIC fees, Independent Accountant fees, Auditor fees, printing and ancillary expenses
6. Working capital includes the general costs associated with the management and operation of the existing business including working capital, administration expenses, rent and other associated costs.

The above table is a statement of the Board's current intentions as at the date of this Notice. Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors including:

- (a) the risk factors outlined in Section 5; and
- (b) the outcome of operational activities, regulatory developments and market and general economic conditions.

In light of this, the Board reserves the right to alter the way the funds are applied.

The Board is satisfied that upon completion of the Public Offer, the Company will have sufficient working capital to meet its stated objectives.

The Company notes there is no certainty to when or to what extent any Options will be exercised. Depending on the amount raised (if any) from the exercise of any Options, the Board's current intention is to apply funds towards general working capital.

4.14 Indicative timetable for the key business the subject of the Transaction Resolutions

Description	Indicative timing
Despatch of Notice of General Meeting	26 April 2023
Lodgement of Prospectus with ASIC	4 May 2023
Opening of the Public Offer	12 May 2023

General Meeting held to approve the Transaction	26 May 2023
Commencement of Consolidation	29 May 2023
Closing of Public Offer	9 June 2023
Issue of Shares under the Public Offer	19 June 2023
Reinstatement of securities to trading on ASX	27 June 2023

This timetable is a proposed indicative timetable only and the Board reserves the right to vary the dates in accordance with the Listing Rules.

4.15 **Composition of Board of Directors**

The existing Board consists of:

- (a) Stuart Carmichael – Non-Executive Chair;
- (b) Adrian Smith – Managing Director;
- (c) Trish White – Non-Executive Director;
- (d) Anthony McIntosh – Non-Executive Director;
- (e) Darryl Abotomey – Non-Executive Director; and
- (f) Syed Basar Shueb – Non-Executive Director.

It is proposed that Tony Eckford be appointed to the Board as a Non-Executive Director (the subject of Resolution 7).

4.16 **Advantages of the proposed Transaction Resolutions**

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Transaction Resolutions:

- (a) the Transaction will support the execution of the nuclear strategy and the Company's pursuits in the UK nuclear decommissioning industry by providing access to existing manufacturing capabilities, experienced technical staff and management and an existing client base of large industrial clients;
- (b) the Transaction is synergistic with the Company's existing operations, assets and specialist skills and is highly aligned with its strategy;
- (c) completion will enable the Company to be reinstated to the Official List with GEL as a wholly owned subsidiary, a strong Board and management team and defined growth strategy. Shareholders will be able to share in the growth of the Company and will also be able to buy or sell Shares on ASX;
- (d) the assets and revenue of the Company will increase as a result of the Transaction;

- (e) the Company will acquire an operating subsidiary with a history of profitable operations;
- (f) Tony Eckford brings significant experience and knowledge to the Board; and

the Company's ability to raise additional funds may increase and may also be exposed to further debt, equity and acquisition opportunities that it did not have prior to the Transaction.

4.17 **Disadvantages of the proposed Transaction Resolutions**

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the Transaction Resolutions:

- (a) the Transaction will provide Shareholders with exposure to an established operating entity based in the UK, which may be different from the investment objectives of some existing Shareholders;
- (b) the Transaction will lead to the Company having significant operations in Australia, USA and the UK, which will increase the complexity of the Company's operations;
- (c) Shareholders will be diluted through the issue of Shares under the Public Offer; and
- (d) there are inherent risks associated with Graham Engineering's business as well as other risks which may not suit a Shareholders risk profile or be consistent with their objectives. A summary of key risks to be faced by the Merged Group is set out in Section 5.

4.18 **Taxation**

The Transaction may give rise to income tax implications for the Company and Shareholders.

Existing Shareholders are advised to seek their own taxation advice on the effect of the Transaction Resolutions on their personal taxation position and neither the Company, nor any existing Director or advisor to the Company accepts any responsibility for any individual Shareholder's taxation consequences on any aspect of the Transaction or the Transaction Resolutions.

4.19 **Plans for the Company if the Transaction Resolutions are not passed or if the Transaction does not proceed**

If the Transaction Resolutions are not passed, the Company will be unable to proceed with the Transaction and the Company will seek reinstatement of its Shares to trading on the basis of its existing financial condition and level of operations, which it considers satisfy the ongoing requirements in Listing Rule 12.1 and 12.2.

4.20 **Directors' interests in the Company**

The Directors (and their respective related entities) have the following interests in Securities as at the date of this Notice (on a pre-Consolidation basis):

Name	Shares	%	Options	Performance Rights
Stuart Carmichael ¹	175,438	0.10	370,000	1,500,000

Adrian Smith ²	2,600,000	1.42	180,000	-
Syed Basar Shueb ³	2,528,155	1.38	180,000	1,500,000
Anthony McIntosh ⁴	1,260,714	0.69	180,000	1,500,000
Trish White ⁵	142,857	0.08	-	-
Darryl Abotomey ⁶	-	-	-	-

Notes:

1. Mr Carmichael's Securities are held as follows:
 - (a) 175,438 Shares, 370,000 Options 1,500,000 Performance Rights held indirectly through SBV Capital Pty Ltd; and
 - (b) 96,491 Shares held indirectly through SJ & T Carmichael Superannuation Pty Ltd.
2. Mr Smith's Securities are held as follows:
 - (a) 100,000 Shares and 180,000 Options held directly; and
 - (b) 2,500,000 Shares held indirectly through Sydac Nominees Pty Ltd <the Adrian Smith Family A/C>.
3. Mr Shueb's Securities are held directly.
4. Mr McIntosh's Securities are held as follows:
 - (a) 180,000 Options held directly;
 - (b) 1,500,00 Performance Rights held indirectly through Mutual Trust Pty Ltd holds securities on behalf of Anthony McIntosh; and
 - (c) 1,260,714 Shares held indirectly through Interdale Pty Ltd <Maple Super Fund>.
5. Ms White's Shares are held indirectly through Third & First Pty Ltd <White Thorp Family Trust>.

Set out in the table below are details of the anticipated relevant interests of the existing Directors and Proposed Director (and their respective related entities) in the Securities of the Company upon Completion (on a post-Consolidation basis):

Name	Shares ²	% (Minimum Subscription) ¹	% (Maximum Subscription) ¹	Options	Performance Rights
Stuart Carmichael	70,176	0.04	0.03	148,000	600,000
Adrian Smith	1,040,000	0.56	0.50	72,000	
Syed Basar Shueb	1,011,262	0.55	0.48	72,000	600,000
Anthony McIntosh	504,286	0.27	0.24	72,000	600,000
Trish White	57,143	0.03	0.03	-	-
Darryl Abotomey	-	0.00	0.00	-	-
Tony Eckford	-	0.00	0.00	-	

Notes:

1. Assumes that no further Shares are issued or Options exercised and converted into Shares.
2. As at the date of the Notice, the Directors do not intend to subscribe for Shares under the Public Offer.

4.21 **Facilitator fees**

Other than as set in this Notice, no other fees are payable by the Company to any person for finding, arranging or facilitating the Transaction.

5. **Risks associated with the Transaction**

This Section identifies the key dependencies and areas of risk associated with the Transaction, but should not be taken as an exhaustive list of the risk factors to which the Company and its Shareholders are exposed. References to the Company in this Section 5 include the Merged Group.

5.1 **Risks relating to the change in nature and/or scale of activities**

(a) **Re-Quotation of Shares on ASX**

The Transaction constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the Listing Rules as if it were seeking admission to the Official List.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will likely remain in suspension and not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the Listing Rules.

(b) **Dilution risk**

As set out in Section 4.11, the Company currently has 183,319,832 Shares on issue (on a pre-Consolidation basis). On Completion (assuming that the Maximum Subscription is raised):

- (i) the existing Shareholders will retain approximately 35.01% of the Company's issued Share capital on an undiluted basis and 32.37% of the Company's issued Share capital on a fully diluted basis;
- (ii) the investors under the Public Offer will hold approximately 59.68% of the Company's issued Share capital on an undiluted basis and 55.19% of the Company's issued Share capital on a fully diluted basis.

There is a risk that the interests of Shareholders will be further diluted as a result of future capital raisings that will be required in order to fund the future development of the Company.

(c) **Completion, counterparty and contractual risk**

As set out in Section 4.2, the Company has agreed to acquire 100% of the issued capital of GEL subject to the fulfilment of certain conditions precedent. There is a risk

that the conditions precedent for Completion will not be fulfilled and, in turn, that Completion will not occur.

The ability of the Company to achieve its stated objectives will depend on the performance by the Sellers under the Acquisition Agreement. If any counterparty defaults in the performance of its obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly and without any certainty of a favourable outcome.

The Company is not currently engaged in any active litigation and is not aware of any threatened litigation.

5.2 **Specific risks applicable to the Merged Group**

On Completion, GEL will become a wholly owned subsidiary of the Company, and the Company's main undertaking will be specialist manufacturing in the nuclear decommissioning industry. Set out below is a non-exhaustive list of key risks of operating the Company's business as owner of GEL.

(a) **Reliance on key customers**

A significant proportion of the GEL's revenue is currently derived from its largest customer, Sellafield. Sales from Sellafield represented approximately 58.7% of GEL's revenue in 2022. The Company's second-largest customer in 2022 was Siemens which contributed approximately 18.3% of GEL's revenue. Sellafield and Siemens comprise approximately 77.0% of the Company's revenue on an aggregated basis and therefore the loss of such a key customer or the diminution of the relationship between the Company and either or both of Sellafield and Jacobs will adversely affect the Company's financial performance.

Further, several of GEL's material customer contracts with Sellafield and Jacobs have expired, and while GEL continues to receive purchase orders from Sellafield and Jacobs, there are no express terms extending the terms of the customer agreements and there is accordingly, less certainty that GEL could continue to rely on and enforce the terms of the contracts as originally agreed.

(b) **Failure to attract new customers**

The success of the Company's business relies on its ability to attract new business from existing customers and attract new customers including in new jurisdictions. The capacity to attract new customers and attract new business from existing customers and new customers will be dependent on many factors including the capability, cost-effectiveness, customer support and value compared to competing products.

(c) **Product quality risks**

Risks are involved in the ability to translate technical objectives into a solution that provides the expected quality of product in a cost-effective manner to support the price needed to make an impact in the marketplace. The products and technology supplied by the Company may not be functional, may be faulty, or not meet customers'

expectations. This may lead to requirements for the Company to improve or refine its products, which may diminish operating margins or lead to losses.

The products and technology supplied by the Company, while extensively tested prior to collection, can be damaged in transit. While this risk is insurable, it may diminish operating margins.

(d) **Manufacturing risks**

The Company's products may be subject to product quality risks. Risks are involved in the ability to translate the technology into a solution that provides the expected quality of product in a cost-effective manner to support the price needed to make an impact in the marketplace.

(e) **Competition**

Whilst the Company currently has expertise to deliver a high-quality product, it is anticipated that the level of competition could increase rapidly. There is no assurance that competitors will not succeed in developing products more effective or economic than the products developed by the Company which would render the Company's products uncompetitive. The Company faces a range of risks including that existing competitors could increase their market share through aggressive sales and marketing campaigns, product, research and development or price discounting; and existing and potential competitors, who may have significantly more resources, develop new or superior products or improve existing products to compete with the Company.

(f) **Supplier risk**

The Company sources certain key components for its systems from third party suppliers. The delivery of such components may be delayed, or a specific supplier may not be able to deliver at all, which may lead to a longer sales cycle or may force K-TIG to shift to another supplier.

(g) **Key personnel risk**

The Company depends on certain key personnel and the departure of any of them may lead to disruptions of customer relationships or delays in the manufacturing and product development efforts.

(h) **Development risks**

The Company is currently investing into new research and development initiatives and new technologies that are still at an early stage of development and validation. While the Company is not presently aware of any potential problems, the commerciality of these new products is still uncertain.

(i) **Workplace health and safety**

The Company's staff work in an environment subject to heightened workplace health and safety risks. The Company and its staff must comply with various workplace health and safety laws. In the event that the Company does not maintain its strict health and safety standards, it may give rise to claims against the Company. GEL has

previously incurred health and safety incidents which may give rise to future claims that could be brought against GEL.

(j) **Regulatory risk**

Regulation in the specialist manufacturing in the nuclear decommissioning industry is complex and subject to change. The Company may be impacted by changes in regulations, laws or policies.

The Company is subject to continuing regulation, including quality regulations applicable to the manufacture of its products and various reporting regulations. The Company's customers are also subject to continuing regulation. There can be no guarantee that the regulatory environment in which the Company or its customers currently operates may not change in the future which may impact on the Company's existing products. The Company's products currently comply with welding certifications. Welding certifications in the future may change and the Company may not be able to meet such standards, which may have an adverse impact on the Company's product offering.

Depending upon the severity of any failure of the Company or its customers to comply with any applicable regulations, the Company or its customers could be subject to enforcement actions, including but not limited to: warning letters, fines, injunctions, consent decrees, civil monetary penalties, recalls or seizures of its devices, manufacturing restrictions, closure of its manufacturing operations, modifications or revocations of any clearances and approvals that it already holds or will hold, and/or criminal prosecution. If any such sanctions are imposed against the Company or its customers, such sanctions could harm the Company's reputation, and depending upon the severity, could have significant adverse impact upon the Company's ability to provide services and on its financial condition.

(k) **Product liability and warranty risk**

The Company's products are subject to stringent safety and manufacturing standards. There is a risk that the Company's products may have actual or perceived safety or quality failures or defects which could result in:

- (i) litigation or claims alleging negligence, product liability or breach of warranty against the Company;
- (ii) regulatory authorities revoking or altering any approvals granted, or forcing the Company to conduct a product recall;
- (iii) regulatory action;
- (iv) damage to the Company's brand and reputation; or
- (v) the Company being forced to terminate or delay sales or operations.

Despite best practice by the Company with respect to the manufacture and supply of its products and any insurance that the Company may hold, the risk of defective

products remains and may negatively impact the Company's reputation, operations and financial prospects.

5.3 **General risks**

(a) **Discretion in use of capital**

The Board and the Company's management have discretion concerning the use of the Company's capital resources as well as the timing of expenditures. Capital resources may be used in ways not previously anticipated or disclosed. The results and the effectiveness of the application of capital resources are uncertain. If they are not applied effectively, the Company's financial and/or operational performance may suffer.

(b) **Investment in capital markets**

As with all stock market investments, there are risks associated with an investment in the Company. Securities listed on the stock market have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of Shares regardless of the Company's performance.

(c) **General economic conditions**

The operating and financial performance of the Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, commodity prices, inflation, interest rates and exchange rates, supply and demand, industrial disruption, access to debt and capital markets and government fiscal, monetary and regulatory policies. Changes in general economic conditions may result from many factors including government policy, international economic conditions, significant acts of terrorism, hostilities or war or natural disasters. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have an adverse impact on the Company's operating and financial performance and financial position. The Company's future possible revenues and Share prices may be affected by these factors, which are beyond the control of the Company.

(d) **Changes in government policies and legislation**

Any material adverse changes in government policies or legislation of Australia or any other country that the Company may acquire economic interests in may affect the viability and profitability of the Company.

(e) **Unforeseen expenditure risk**

Expenditure may need to be incurred that has not been taken into account in the preparation of this Notice. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

(f) **Taxation**

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in

the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation point of view and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability and responsibility with respect to the taxation consequences of applying for Shares.

(g) **Litigation risk**

The Company is exposed to possible litigation risks including native title claims, tenure disputes, environmental claims, occupational health and safety claims and employee claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. The Company is not currently engaged in any active litigation and is not aware of any threatened litigation.

6. **Resolution 1 – Consolidation of capital**

6.1 **General**

Resolution 1 seeks Shareholder approval for the Company to undertake a consolidation of its capital on a 2.50 for 1 basis (**Consolidation**).

Resolution 1 is an ordinary resolution.

Resolution 1 is a Transaction Resolution and is subject to Shareholders passing each of the Transaction Resolutions.

The Board recommends that Shareholders vote in favour of Resolution 1.

6.2 **Legal requirements**

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its Shares into a larger or smaller number.

Listing Rule 7.20 provides that where an entity proposes to reorganise its capital, it must tell Equity Security holders:

- (a) the effect of the proposal on the number of Securities and the amount unpaid (if any) on the Securities;
- (b) the proposed treatment of any fractional entitlements; and
- (c) the proposed treatment of any Convertible Securities on issue. Listing Rule 7.21 provides that a listed entity which has Convertible Securities (except Options) on issue may only reorganise its capital if, in respect of the Convertible Securities, the number of its Convertible Securities or the conversion price, or both, is reorganised so that the holder of the Convertible Securities will not receive a benefit that holders of ordinary Securities do not receive.

Listing Rule 7.22.1 requires that when a listed entity undertakes a consolidation of capital, the number of its Options must be consolidated in the same ratio as the ordinary capital and the exercise price must be amended in inverse proportion to that ratio. If Resolution 1 is passed, the Company will be able to proceed with the Consolidation and the number of Securities on issue is anticipated to be adjusted as follows, based on the Securities on issue as at the date

of this Notice (in each case, subject to rounding):

Security	Pre-Consolidation	Post-Consolidation
Shares	183,319,832	73,327,933
Unquoted Options	6,612,152	2,644,861
Performance Rights	6,000,000	2,400,000

If Resolution 1 is not passed, the Company will not be able to proceed with the Consolidation.

6.3 Fractional entitlements

Not all Shareholders will hold that number of Securities (Shares, Options or Performance Rights, as the case may be) which can be evenly divided by 2.50. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Security (Shares, Options or Performance Rights, as applicable).

6.4 Taxation

It is not considered that any taxation implications will exist for Shareholders arising from the Consolidation. However, Shareholders are advised to seek their own tax advice on the effect of the Consolidation and the Company accepts no responsibility for the individual taxation implications arising from the Consolidation.

6.5 Holding statements

From the date of the Consolidation, all holding statements for Securities will cease to have any effect, except as evidence of entitlement to a certain number of Securities on a post-Consolidation basis. After the Consolidation becomes effective, the Company will arrange for new holding statements for Securities to be issued to holders of those Securities. It is the responsibility of each Shareholders to check the number of Securities held prior to disposal or exercise (as the case may be).

6.6 Effect on capital structure

The approximate effect which the Consolidation will have on the Company's current capital structure is set out in the tables below. All numbers are subject to rounding.

(a) Shares

	Pre-Consolidation	Post-Consolidation
Shares currently on issue	183,319,832	73,327,933

(b) Unquoted Options

	Pre-Consolidation		Post-Consolidation	
Expiry date	Number	Exercise Price	Number	Exercise Price

30 September 2023	6,612,152	\$0.30	2,644,861	\$0.75
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(c) **Performance Rights**

	Pre-Consolidation	Post-Consolidation
Performance Rights currently on issue	6,000,000	2,400,000

6.7 **Consolidation timetable**

If Resolution 1 is passed, the Consolidation will take effect in accordance with the following timetable:

Event	Date
Company announces Consolidation using an Appendix 3A.3 and sends out Notice	26 April 2023
Meeting - Shareholders approve Consolidation	26 May 2023
Effective Date of Consolidation	29 May 2023
Last day for trading on a pre-Consolidation basis	30 May 2023
Post-Consolidation trading starts on a deferred settlement basis	31 May 2023
Record date and last day for Company to register transfers on a pre-Consolidation basis	1 June 2023
First day for Company to update its register of Securities on a post-Consolidation basis and first day for issue of holding statements	2 June 2023
Last date for Company to update its register and send holding statements on a post-Consolidation basis and notify ASX that this has occurred	8 June 2023
Normal trading of post-Consolidation Securities commences	27 June 2023

The timetable is a proposed indicative timetable and the Board reserves the right to vary the dates in accordance with the Listing Rules.

6.8 **Additional information**

Resolution 1 is an ordinary resolution.

The Board recommends that Shareholders vote in favour of Resolution 1.

7. **Resolution 2 – Approval to change in nature and scale of activities**

7.1 **General**

Resolution 2 seeks the approval of Shareholders for a change in the nature and scale of the Company's activities via the Transaction.

A detailed description of the Transaction is outlined in Section 4 above.

Resolution 2 is a Transaction Resolution and is subject to Shareholders passing each of the

Transaction Resolutions.

Resolution 2 is an ordinary Resolution.

7.2 **Listing Rule 11.1**

Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and/or scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the Listing Rules as if the company were applying for admission to the Official List.

The Transaction constitutes a significant change in the nature and scale of the Company's activities, accordingly it is required to:

- (a) obtain the approval of its Shareholders for the proposed change of activities pursuant to Listing Rule 11.1.2; and
- (b) re-comply with the admission and quotation requirements set out in Chapters 1 and 2 of the Listing Rules.

For this reason, the Company is seeking Shareholder approval for the Company to change the nature and scale of its activities under Listing Rule 11.1.2 and pursuant to Listing Rule 11.1.3 in order to re-comply with Chapters 1 and 2 of the Listing Rules.

Details of the assets to be acquired by the Company and the proposed changes to the structure and operations of the Company are provided throughout this Explanatory Memorandum.

If Resolution 2 is passed (and subject to Shareholders passing each of the Transaction Resolutions), the Company will be able to proceed with the Transaction as outlined in this Notice.

If Resolution 2 is not passed, the Company will not be able to proceed with the Transaction and re-comply with the admission and quotation requirements of Chapters 1 and 2 of the Listing Rules.

7.3 **Board recommendation**

The Board recommends that Shareholders vote in favour of Resolution 2. The Chair intends to exercise all available proxies in favour of Resolution 2.

8. **Resolution 3 – Approval to issue Public Offer Shares**

8.1 **General**

A detailed description of the Transaction is outlined in Section 4 above.

As summarised in Section 4.9, the Public Offer seeks to raise at least \$20,000,000 (before costs) and up to \$25,000,000 (before costs) through the issue of a minimum of 100,000,000 Shares and a maximum of 125,000,000 Shares at an issue price of \$0.20 per Share (on a post-Consolidation basis).

The Public Offer Shares will be issued under a Prospectus to be issued by the Company in order to re-comply with Chapters 1 and 2 of the Listing Rules.

The Company has appointed Morgans Corporate Limited as lead manager in respect of the Public Offer on the terms summarised in Section 4.7(b)(ii).

Resolution 3 seeks Shareholder approval for the issue of up to 125,000,000 Public Offer Shares. Resolution 3 is a Transaction Resolution and is subject to Shareholders passing each of the Transaction Resolutions.

Resolution 3 is an ordinary resolution.

8.2 **Listing Rule 7.1**

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The issue of the Public Offer Shares does not fall within any of these exceptions and exceeds the 15% limit in Listing Rule 7.1. It therefore requires the approval of Shareholders under Listing Rule 7.1.

Resolution 3 seeks the required Shareholder approval to the issue of the Public Offer Shares under and for the purposes of Listing Rule 7.1.

If Resolution 3 is passed, the Company will be able to proceed with the issue of the Public Offer Shares and will issue the Public Offer Shares no later than 3 months after the date of the Meeting. In addition, the issue will be excluded from the calculation of the number of Equity Securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

If Resolution 3 is not passed, the Company will not be able to proceed with the issue of the Public Offer Shares and the Transaction will not progress.

8.3 **Specific information required by Listing Rule 7.3**

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Public Offer Shares under this Resolution:

- (a) The maximum number of Shares to be issued as Public Offer Shares under this Resolution is 125,000,000 on a Maximum Subscription basis.
- (b) The Public Offer Shares will be issued to subscribers under the Public Offer, none of whom will be a related party of the Company.
- (c) The Public Offer Shares will be issued no later than 3 months after the date of the Meeting and it is intended that the Public Offer Shares will be issued on the same date, being the date of Completion.
- (d) The issue price of the Public Offer Shares will be \$0.20 per Share.

- (e) The Public Offer Shares are proposed to be issued to participants in the Public Offer who will be determined by the Lead Manager, in consultation with the Board and in accordance with the allocation policy set out in the Prospectus. No applicant under the Public Offer has any assurance of being allocated all or any Shares applied for. The allocation of Shares by Directors (in conjunction with the Lead Manager) will be influenced by the following factors:
- (i) the number of Shares applied for;
 - (ii) the overall level of demand for the Offer;
 - (iii) the timeliness of the bid particular applicants;
 - (iv) the desire for a spread of investors, including institutional investors;
 - (v) recognising the ongoing support of existing Shareholders;
 - (vi) the likelihood that particular Applicants will be long-term Shareholders;
 - (vii) the desire for an informed and active market for trading Shares following completion of the Offer;
 - (viii) ensuring an appropriate Shareholder base for the Company going forward; and
 - (ix) any other factors that the Company and the Lead Manager consider appropriate. The Company will not be liable to any person not allocated Shares or not allocated the full amount applied for.
- (f) The Public Offer Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.
- (g) The Company's intended use of the funds raised from the issue of the Public Offer Shares is set out in Section 4.13 above.
- (h) Further details of the Transaction are set out in Section 4.
- (i) A voting exclusion statement is included in the Notice.

8.4 **Board recommendation**

The Board recommends that Shareholders vote in favour of Resolution 3.

9. **Resolution 4 – Approval to issue Corporate Advisor Securities**

9.1 **General**

On 6 February 2023, the Company entered into the Corporate Advisor Mandate with SRG Partners Pty Ltd for the provision of corporate advisory services relating to the Transaction.

The terms of the Corporate Advisor Mandate are summarised in Section 4.7(b)(iii).

Pursuant to the Corporate Advisor Mandate, the Company has agreed to issue 1,125,000

Corporate Advisor Shares and 2,000,000 Corporate Advisor Options to the Corporate Advisor (or its nominee).

Resolution 4 seeks Shareholder approval for the issue of the Corporate Advisor Securities to the Corporate Advisor (or its nominee) under and for the purposes of Listing Rule 7.1.

Resolution 4 is a Transaction Resolution and is subject to Shareholders passing each of the Transaction Resolutions.

9.2 **Listing Rule 7.1**

A summary of Listing Rule 7.1 is in Section 8.2.

If Resolution 4 is passed, the issue of Corporate Advisor Securities can proceed.

If Resolution 4 is not passed, the Company cannot issue the Corporate Advisor Securities and the Transaction will not progress.

9.3 **Specific information required by Listing Rule 7.3**

Under and for the purposes of Listing Rule 7.3, the following information is provided in relation to the proposed issue of the Corporate Advisor Options:

- (a) A maximum of 1,125,000 Corporate Advisor Shares and 2,000,000 Corporate Advisor Options will be issued to SRG Partners Pty Ltd (or its nominee).
- (b) The Corporate Advisor Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.
- (c) The Corporate Advisor Options will be exercisable at \$0.25 each on or before the date that is four years from Completion, and otherwise on the terms and conditions set out in Schedule 5.
- (d) The Corporate Advisor Securities will be issued no later than three months after the date of the Meeting.
- (e) The Corporate Advisor Securities will be issued for nil cash consideration, with the funds raised from the exercise of Corporate Advisor Options to be allocated towards working capital.
- (f) A summary of the material terms of Corporate Advisor Mandate is set out in Section 4.7(b)(iii).
- (g) A voting exclusion statement is included in the Notice.

9.4 **Board recommendation**

Resolution 4 is an ordinary resolution.

The Board recommends that Shareholders vote in favour of Resolution 4.

10. **Resolution 5 – Approval to issue Conversion Shares**

10.1 **General**

On 27 January 2023, the Company announced its intention to raise \$2,000,000 (before costs) (**Convertible Note Raise**) through the issue of up to 2,000 convertible debt notes with a face value of \$1,000 each (**Convertible Notes**).

The Convertible Notes will automatically convert into Shares on satisfaction of the following conversion conditions:

- (a) Shareholders approving the issue of Shares and Options (together, the **Conversion Securities**) to be issued on conversion of the Convertible Notes; and
- (b) K-TIG successfully completing a capital raising of no less than \$4,000,000 (**Capital Raising**).

The Convertible Notes are convertible into Shares at a conversion price equal to the issue price of the Shares under the Capital Raising. Accordingly, if Shareholder approval is obtained for the issue of the Conversion Securities and the Public Offer proceeds, the Company will issue up to 10,000,000 Shares on conversion of the Convertible Notes (**Conversion Shares**).

On conversion of the Convertible Notes, the Noteholders will receive 1 unquoted Option for every Conversion Share, with an exercise price equal to the conversion price expiring three years after the date of conversion. Accordingly, if Shareholder approval is obtained for the issue of the Conversion Securities and the Public Offer proceeds, the Noteholders will be issued 10,000,000 Options with an exercise price of \$0.20 and an expiry date of three years from the date of conversion (**Conversion Options**).

The terms and conditions of the Convertible Notes are set out in Schedule 7.

Resolution 5 seeks Shareholder approval pursuant to an in accordance with Listing Rule 7.1 for the issue of up to 10,000,000 Conversion Shares to the Noteholders (or their respective nominees).

10.2 **Listing Rule 7.1**

A summary of Listing Rule 7.1 is in Section 8.2.

If Resolution 5 is passed, the Company can proceed with the issue of the Conversion Shares.

If Resolution 5 is not passed, the Company will not be able to proceed with the issue of the Conversion Shares and the Transaction will not progress.

10.3 **Specific information required by Listing Rule 7.3**

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Conversion Shares:

- (a) The Conversion Shares will be issued to the Noteholders (or their respective nominees). None of the Noteholders are:
 - (i) a Director of the Company;
 - (ii) a related party of the Company; or

- (iii) a Material Investor of the Company.
- (b) A maximum of 10,000,000 Conversion Shares will be issued to the Noteholders (or their respective nominees) on conversion of the Convertible Notes.
- (c) The Conversion Shares will be issued no later than three months after the date of the Meeting.
- (d) The Conversion Shares will be issued for nil additional cash consideration, and at a deemed issue price equal to the Conversion Price.
- (e) A summary of the terms and conditions of the Convertible Notes is in Schedule 7.
- (f) The Conversion Shares to be issued to the Noteholders will be fully paid ordinary shares in the capital of the Company on the same terms and conditions as the Company's existing Shares.
- (g) A voting exclusion statement is included in the Notice.

10.4 **Additional information**

Resolution 5 is an ordinary resolution.

The Board recommends that Shareholders vote in favour of Resolution 5.

11. **Resolution 6 – Approval to issue Conversion Options**

11.1 **General**

A summary of the Convertible Notes and Conversion Options is in Section 10.1.

Resolution 6 seeks Shareholder approval pursuant to an in accordance with Listing Rule 7.1 for the issue of up to 10,000,000 Conversion Options to the Noteholders (or their respective nominees).

11.2 **Listing Rule 7.1**

A summary of Listing Rule 7.1 is in Section 8.2.

If Resolution 6 is passed, the Company can proceed with the issue of the Conversion Options.

If Resolution 6 is not passed, the Company will not be able to proceed with the issue of the Conversion Options and the Transaction will not progress.

11.3 **Specific information required by Listing Rule 7.3**

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Conversion Shares:

- (a) The Conversion Options will be issued to the Noteholders (or their respective nominees). None of the Noteholders are:
 - (i) a Director of the Company;
 - (ii) a related party of the Company; or

- (iii) a Material Investor of the Company.
- (b) A maximum 10,000,000 Conversion Options will be issued to the Noteholders (or their respective nominees) on conversion of the Convertible Notes.
- (c) The Conversion Options will be issued no later than three months after the date of the Meeting.
- (d) The Conversion Options will be issued for nil additional cash consideration.
- (e) A summary of the terms and conditions of the Convertible Notes is in Schedule 7.
- (f) A summary of the terms and conditions of the Conversion Options is in Schedule 8.
- (g) A voting exclusion statement is included in the Notice.

11.4 **Additional information**

Resolution 6 is an ordinary resolution.

The Board recommends that Shareholders vote in favour of Resolution 6.

12. **Resolution 7 – Election of Director – Tony Eckford**

12.1 **General**

Article 7.6(a) of the Constitution allows the Directors to appoint an additional Director. Under Article 7.6(b), a Director appointed under Article 7.6(a) may retire at the next general meeting of the Company and is eligible for election at that meeting. In connection with the Transaction (and subject to the Acquisition Agreement completing), it is proposed that Proposed Director, Tony Eckford, be appointed as a Non-Executive Director and under Article 7.6(c) and he be subject to election at this Meeting.

Resolution 7 seeks the approval of Shareholders for the election of Mr Eckford.

Resolution 7 is a Transaction Resolution and is subject to Shareholders passing each of the Transaction Resolutions.

Resolution 7 is an ordinary resolution.

The Board recommends that Shareholders vote in favour of Resolution 7.

12.2 **Tony Eckford**

Mr Eckford is an experienced Senior Executive originally trained as a Mechanical Engineer having held Executive positions in FTSE 100/250 companies encompassing a significant number of Chairmanship roles related to various industries.

Mr Eckford is currently Chairman of Graham Engineering. He was formerly Chairman NES Group (Nuclear Engineering Services Group/Ansaldo Nuclear Ltd); Chairman Nukem Technologies GmbH Specialist design, a consultancy and project delivery organisation in the Nuclear sector based in Germany operating primarily in Eastern Europe/South Africa; Chairman of Power Industrial Group, a total service /design and consulting company in the Power/Industrial market place; Group MD of Anglian Water, responsible for some £900m

turnover including Government and Utility Services Divisions. Mr Eckford does not currently hold any other material directorships, other than as disclosed in this Notice.

The Company confirms that it took appropriate checks into Mr Eckford's background and experience and that these checks did not identify any information of concern.

If elected, Mr Eckford is considered by the Board (with Mr Eckford abstaining) to be an independent Director. Mr Eckford is not considered by the Board to hold any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect his capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the entity as a whole rather than in the interests of an individual security holder or other party.

Mr Eckford has acknowledged to the Company that he will have sufficient time to fulfil his responsibilities as a Director.

12.3 **Board recommendation**

The Board (other than Mr Eckford) who has a personal interest in the outcome of this Resolution) supports the election of Mr Eckford for the following reasons:

- (a) Mr Eckford's skills and significant experience in the nuclear sector are important additions to the Board's existing skills and experience.
- (b) Mr Eckford was previously the non-executive chairman of GEL and has a strong working knowledge of the GEL business, its key contractors and its personnel that will be of use to the Board moving forward.

12.4 **Additional information**

Resolution 7 is an ordinary resolution.

The Board (other than Mr Eckford who has a personal interest in the outcome of this Resolution) recommends that Shareholders vote in favour of this Resolution.

Schedule 1 Definitions

In the Notice, words importing the singular include the plural and vice versa.

2023 EBITDA	has the meaning given in Section 4.7(b)(i)(C).
20-day VWAP	means the volume weighted average price of the Company's Shares traded on the ASX over any twenty consecutive trading day period.
Acquisition Agreement	has the meaning given in Section 4.1.
Annexure A	means Annexure A of ASX Guidance Note 12.
Article	means an article of the Company's constitution.
AWST	means Australian Western Standard Time being the time in Perth, Western Australia.
BEIS	means the Department for Business, Energy, & Industrial Strategy (UK).
Board	means the board of Directors.
Chair	means the person appointed to chair the Meeting of the Company convened by the Notice.
CMM	means coordinate measuring machine.
CNC	means computer numerical control.
Company	means K-TIG Limited (ACN 158 307 549).
Company Secretarial Mandate	has the meaning given in Section 4.7(b)(v).
Completion	means completion of the Acquisition Agreement.
Completion Payment	has the meaning given in Section 4.7(b)(i)(C).
Consolidation	has the meaning given in Section 6.1.
Container Supply Agreement	has the meaning given in Section 4.7(a)(i)(A).
Convertible Notes	has the meaning given in Section 10.1.
Convertible Note Raise	has the meaning given in Section 10.1.
Conversion Options	has the meaning given in Section 10.1.
Conversion Securities	has the meaning given in Section 10.1
Conversion Shares	has the meaning given in Section 10.1

Corporate Advisor	means SRG Partners Pty Ltd.
Corporate Advisor Mandate	has the meaning given in Section 4.7(b)(iii).
Corporate Advisor Shares	has the meaning given in Section 4.7(b)(iii).
Corporate Advisor Options	has the meaning given in Section 4.7(b)(iii).
Corporations Act	means the Corporations Act 2001 (Cth).
Deferred Payment Amount	has the meaning given in Section 4.7(b)(i)(C).
Director	means a director of the Company.
Equity Security	has the same meaning as in the Listing Rules.
Explanatory Memorandum	means the explanatory memorandum which forms part of the Notice.
GEL or Graham Engineering	means Graham Engineering Limited.
GEL Option Exercise	has the meaning given in Section 4.5(a).
GEL Optionholders	means Frank Kelly and Stuart Fraser.
GEL Options	has the meaning given in Section 4.5(a).
HLW	means high level waste.
ILW	means intermediate level waste.
Jacobs	means Jacobs Field Services Limited (Company number 01172655).
Jacobs Subcontract	has the meaning given in Section 4.7(a)(ii).
Key Management Personnel	has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.
Lead Manager or Morgans	means Morgans Corporate Limited (ACN 010 539 607) (AFSL 235407).
Lead Manager Mandate	has the meaning given in Section 4.7(b)(ii).

Listing Rules	means the listing rules of ASX.
Maximum Subscription	means the maximum amount of \$25,000,000 (before costs) to be raised pursuant to the Public Offer via the issue of 125,000,000 Public Offer Shares.
Master Purchase Agreement	has the meaning given in Section 4.7(a)(iii).
Material Investor	means in relation to the Company: <ul style="list-style-type: none"> (a) a related party; (b) Key Management Personnel; (c) a substantial Shareholder; (d) an advisor; or (e) an associate of the above, <p>who received Shares which constituted more than 1% of the Company's issued capital at the time of issue.</p>
MBGW	miscellaneous beta-gamma waste.
Meeting	has the meaning given in the introductory paragraph of the Notice.
Merged Group	means the Company and its subsidiaries following Completion.
Minimum Subscription	means the minimum amount of \$20,000,000 (before costs) to be raised pursuant to the Public Offer via the issue of 100,000,000 Public Offer Shares.
NDA	means the Nuclear Decommissioning Authority.
Noteholders	means the holders of the Convertible Notes.
Notice	means this notice of general meeting.
NSI Act	has the meaning given in Section 4.7(b)(i)(D).
Option	means an option to acquire a Share.
Order	has the meaning given in Section 4.7(a)(i)(A).
Proposed Director	means Tony Eckford.
Proxy Form	means the proxy form attached to the Notice.
Public Offer	has the meaning given in Section 4.9.
Public Offer Shares	has the meaning given in Section 4.9.

Recommendations	means the 4th Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.
Related Body Corporate	has the meaning given to that term in section 50 of the Corporations Act.
Resolution	means a resolution referred to in the Notice.
Schedule	means a schedule to the Notice.
Securities	means any Equity Securities of the Company (including Shares, Options and/or Performance Rights).
Sellafield	means Sellafield Limited (Company number 01002607).
Sellers	has the meaning given in Section 4.5(a).
Share	means a fully paid ordinary share in the capital of the Company.
Siemens Healthcare	means Siemens Healthcare Limited (Company number 09567186).
Transaction	means the Company's acquisition of 100% of the issued capital in GEL pursuant to the Acquisition Agreement.
Transaction Resolutions	has the meaning given in Section 3.
UK	means United Kingdom.
VWAP	means volume weighted average price of the Company's Shares traded on the ASX.
Works	has the meaning given in Section 4.7(a)(ii).

Schedule 2 Transaction Based Comparison Table

Particulars	Prior to Transaction – 31 December 2022	Effect of Transaction (Maximum Subscription)	Post-Transaction analysis – Pro Forma	Percentage change due to Proposed Transaction	Scale of change
Total consolidated assets	5,954,722	49,147,367	55,102,089	825.4%	9.25
Total equity	3,258,608	25,250,000	28,508,608	774.9%	8.75
Annual revenue	3,689,814	23,687,316	27,377,130	642.0%	7.42
Annual profit (before tax and extraordinary items)	(4,574,098)	954,724	(3,619,374)	(20.9)%	0.79
Total shares ¹	73,327,933	136,125,000	209,452,933	185.6%	2.86
Total convertible securities ¹	5,044,861	12,000,000	17,044,861	237.9%	3.38
Consolidated annual expenditure	(7,769,158)	(3,558,153)	(11,327,311)	45.8%	1.46
Market capitalisation ²	14,665,587	27,225,000	41,890,587	185.64%	2.86

Notes:

1. Total Shares and convertible securities has been calculated on a post-Consolidation basis.
2. Based on a Share price of \$0.20.

Schedule 3 Graham Engineering Financial Statements

Registration number: 01329239

Graham Engineering Limited

Annual Report and Financial Statements

for the Year Ended 31 August 2020



KM
Chartered Accountants & Statutory Auditors
1st Floor, Block C
The Wharf
Manchester Road
Burnley
Lancashire
BB11 1JG

Graham Engineering Limited

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Graham Engineering Limited

Company Information

Directors	Mrs S A Davall Mr S Fraser Mr F Kelly
Registered office	Edward Street Whitewalls Industrial Estate Nelson Lancashire BB9 8SY
Solicitors	Farleys Solicitors LLP Hurstwood Court Duttons Way Shadworth Business Park Blackburn Lancashire BB1 2QR
Auditors	KM Chartered Accountants & Statutory Auditors 1st Floor, Block C The Wharf Manchester Road Burnley Lancashire BB11 1JG

Graham Engineering Limited

Strategic Report for the Year Ended 31 August 2020

The directors present their strategic report for the year ended 31 August 2020.

Principal activity

The principal activities of the company are those of precision stainless steel fabricators, deep drawn press work, 5 axis machining, laser cutting, laser engraving and 5 axis welding, all to high quality standards supported by our in-house detail drawings office.

Fair review of the business

This financial year, certainly from March 2020 onwards has seen global events that have challenged many businesses. With the processes that we adopted early as the pandemic unfolded we managed to sustain key lines of production for both the nuclear waste containment sector and production of medical equipment. Our workforce contributed greatly to our ability to achieve continuity and as a result we have seen a much improved performance in this financial year.

The sales mix has remained stable throughout the year with substantial growth appearing in our newer sectors supported by the beginnings of another development in our nuclear market. This is seen through the overall increase in sales from last year of almost 11%. Our capital investment during the year has added to our machining capacity and capabilities with some of our existing pressing and fabrication equipment also being upgraded.

Overall profitability has returned to the higher levels seen in the years preceding 2019 and the mix in work continues to reflect a range of new and mature products. The release of the tenders from the nuclear sector, in particular, are still awaited eagerly and we remain confident that when released we are still well positioned to successfully compete.

Work has been continuing regarding achieving accreditation for the AS9100 standard but due to the ongoing impact of the pandemic and its effect on aerospace in particular this approval is now likely to occur later than originally planned.

Key performance indicators (KPI's)

The company's key financial and other performance indicators during the year were as follows:

Years ended	31 August 2020	31 August 2019	31 August 2018
Turnover	£16,000,981	£14,452,480	£17,118,885
Turnover growth	10.71%	(15.58%)	20.37%
Gross profit margin	19.66%	12.31%	26.38%
Profit before tax	£1,388,019	£145,704	£2,682,050

Graham Engineering Limited

Strategic Report for the Year Ended 31 August 2020

Principal risks and uncertainties

There are as always a number of risks and uncertainties which could have an impact on the company's performance, both in the forthcoming year and in the longer term.

Risk management is an intrinsic part of this business to ensure that we manage the needs of stakeholders and that strategic objectives are met.

In the unusually uncertain times created by the COVID-19 pandemic we believe that the company can be reasonably expected to continue in operation and meet its liabilities throughout the current emergency. Whilst we cannot predict the extent or duration of the pandemic nor its impact on the global economy we believe we are actively managing the risks to our resources, assets, relationships and not least of all staff on an ongoing, ever changing, basis.

We see no immediate threats or concerns raised by the exit from the European Union as this is a market in which we have little involvement and have no immediate intentions to enter. The core of our market remains in the UK nuclear sector and as such our industry is not as susceptible to the economic climate as other companies. Our main product is intrinsic in the protection of the environment and demand is very much determined by our customers processing abilities. We remain competitive in this area through high quality skills and flexibility.

The company's operations are exposed to a variety of financial risks that include the effects of changes to customer credit risk and supply chain risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company.

Policies are in place to limit the exposure to excess stock being carried forward from one year to the next. The company has no significant concentrations of credit risk. Receivable balances are monitored on an ongoing basis to ensure the company's bad debt exposure is not significant.

Approved by the Board on 2 February 2021 and signed on its behalf by:



.....
Mr F Kelly
Director

Graham Engineering Limited

Directors' Report for the Year Ended 31 August 2020

The directors present their report and the financial statements for the year ended 31 August 2020.

Directors of the company

The directors who held office during the year were as follows:

Mrs S A Davall (appointed 18 March 2020)

Mr S Fraser

Mrs P Graham (resigned 18 March 2020)

Mr F Kelly

Mr P Manley (resigned 30 June 2020)

Results and dividends

The results for the company are set out in the financial statements.

No dividends were paid during the year.

Future developments

The company has established a position of innovation and quality in our markets using new technology and reliability as its core values. Going forward, through investment, we intend to continue to use these keystones to underpin our future. The nuclear sector remains a key element of our business and we continue to work at strengthening our relationships here as we develop the extent of our involvement in the health, aerospace and security markets.

Research and development

The company will continue its policy of investment in research and development in order to retain a competitive position in the market.

Risk policies

As required by schedule 7.6(1)(a) and 7.6(1)(b) of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 the following information required to be disclosed in the directors report has been disclosed in the Strategic Report on page 3:

- an indication of financial risk management objectives and policies;
- an indication of the different risks the company is exposed to.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 2 February 2021 and signed on its behalf by:



Mr F Kelly
Director

Graham Engineering Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

Graham Engineering Limited

Independent Auditor's Report to the Members of Graham Engineering Limited

Opinion

We have audited the financial statements of Graham Engineering Limited (the 'company') for the year ended 31 August 2020, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Graham Engineering Limited

Independent Auditor's Report to the Members of Graham Engineering Limited

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 5], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.

Graham Engineering Limited

Independent Auditor's Report to the Members of Graham Engineering Limited

- 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company 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.

Use of our report

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



.....
Mark Heaton FCCA (Senior Statutory Auditor)
For and on behalf of KM, Statutory Auditor

1st Floor, Block C
The Wharf
Manchester Road
Burnley
Lancashire
BB11 1JG

2 February 2021

Graham Engineering Limited

Profit and Loss Account for the Year Ended 31 August 2020

	Note	2020 £	2019 £
Turnover	3	16,000,981	14,452,480
Cost of sales		<u>(12,854,677)</u>	<u>(12,673,022)</u>
Gross profit		3,146,304	1,779,458
Distribution costs		(100,724)	(87,463)
Administrative expenses		(1,704,084)	(1,589,091)
Other operating income		<u>54,223</u>	<u>53,555</u>
Operating profit	4	1,395,719	156,459
Interest receivable and similar income	5	22,780	12,962
Interest payable and similar charges	6	<u>(30,480)</u>	<u>(23,717)</u>
Profit before tax		1,388,019	145,704
Tax on profit	10	<u>(256,848)</u>	<u>71,851</u>
Profit for the financial year		<u><u>1,131,171</u></u>	<u><u>217,555</u></u>

The above results were derived from continuing operations.

Graham Engineering Limited

Statement of Comprehensive Income for the Year Ended 31 August 2020

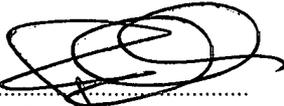
	Note	2020 £	2019 £
Profit for the year		1,131,171	217,555
Surplus/(deficit) on property revaluation		<u>20,841</u>	<u>20,843</u>
Total comprehensive income for the year		<u><u>1,152,012</u></u>	<u><u>238,398</u></u>

The notes on pages 14 to 24 form an integral part of these financial statements.

Graham Engineering Limited
(Registration number: 01329239)
Balance Sheet as at 31 August 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	11	7,828,125	7,685,618
Current assets			
Stocks	12	1,210,095	972,858
Debtors	13	4,851,995	5,349,453
Cash at bank and in hand		<u>1,956,102</u>	<u>487,249</u>
		8,018,192	6,809,560
Creditors: Amounts falling due within one year	14	<u>(2,750,720)</u>	<u>(2,413,064)</u>
Net current assets		<u>5,267,472</u>	<u>4,396,496</u>
Total assets less current liabilities		13,095,597	12,082,114
Creditors: Amounts falling due after more than one year	14	(362,547)	(556,895)
Provisions for liabilities	15	<u>(626,277)</u>	<u>(549,617)</u>
Net assets		<u>12,106,773</u>	<u>10,975,602</u>
Capital and reserves			
Called up share capital	17	100,000	100,000
Revaluation reserve		2,367,914	2,388,755
Profit and loss account		<u>9,638,859</u>	<u>8,486,847</u>
Shareholders funds		<u>12,106,773</u>	<u>10,975,602</u>

Approved and authorised by the Board on 2 February 2021 and signed on its behalf by:



.....
Mr F Kelly
Director

Graham Engineering Limited

Statement of Changes in Equity for the Year Ended 31 August 2020

	Share capital	Revaluation reserve	Profit and loss account	Total
	£	£	£	£
At 1 September 2019	100,000	2,388,755	8,486,847	10,975,602
Profit for the year	-	-	1,131,171	1,131,171
Other comprehensive income	-	(20,841)	20,841	-
Total comprehensive income	-	(20,841)	1,152,012	1,131,171
At 31 August 2020	<u>100,000</u>	<u>2,367,914</u>	<u>9,638,859</u>	<u>12,106,773</u>

	Share capital	Revaluation reserve	Profit and loss account	Total
	£	£	£	£
At 1 September 2018	100,000	2,409,598	8,248,449	10,758,047
Profit for the year	-	-	217,555	217,555
Other comprehensive income	-	(20,843)	20,843	-
Total comprehensive income	-	(20,843)	238,398	217,555
At 31 August 2019	<u>100,000</u>	<u>2,388,755</u>	<u>8,486,847</u>	<u>10,975,602</u>

The notes on pages 14 to 24 form an integral part of these financial statements.

Graham Engineering Limited

Statement of Cash Flows for the Year Ended 31 August 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Profit for the year		1,131,171	217,555
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	494,804	446,722
Profit on disposal of tangible assets		(7,491)	(7,212)
Finance income	5	(22,780)	(12,962)
Finance costs	6	30,480	23,717
Income tax expense	10	256,848	(71,851)
		<u>1,883,032</u>	<u>595,969</u>
Working capital adjustments			
(Increase)/decrease in stocks	12	(237,237)	1,022,793
Decrease/(increase) in trade debtors	13	556,372	(878,654)
Increase/(decrease) in trade creditors	14	282,658	(289,775)
Cash generated from operations		<u>2,484,825</u>	<u>450,333</u>
Income taxes paid	10	(171,750)	(526,233)
Net cash flow from operating activities		<u>2,313,075</u>	<u>(75,900)</u>
Cash flows from investing activities			
Interest received	5	22,780	12,962
Acquisitions of tangible assets		(660,861)	(1,255,693)
Proceeds from sale of tangible assets		31,040	10,239
Net cash flows from investing activities		<u>(607,041)</u>	<u>(1,232,492)</u>
Cash flows from financing activities			
Interest paid	6	(30,480)	(23,717)
Proceeds from bank borrowing draw downs		(39,175)	(126,831)
Repayment of other borrowing		(32,294)	80,994
Payments to finance lease creditors		(135,232)	486,424
Net cash flows from financing activities		<u>(237,181)</u>	<u>416,870</u>
Net increase/(decrease) in cash and cash equivalents		1,468,853	(891,522)
Cash and cash equivalents at 1 September		<u>487,249</u>	<u>1,378,771</u>
Cash and cash equivalents at 31 August		<u>1,956,102</u>	<u>487,249</u>

The notes on pages 14 to 24 form an integral part of these financial statements.

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2020

1 General information

The company is a private company limited by share capital, incorporated in England.

The address of its registered office is:

Edward Street
Whitewalls Industrial Estate
Nelson
Lancashire
BB9 8SY

These financial statements were authorised for issue by the Board on 2 February 2021.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

These financial statements have been prepared on a going concern basis using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Revenue recognition

Turnover represents amounts chargeable, net of value added tax, in respect of the sale of goods and services to customers. Turnover is recognised when products and services are invoiced, which corresponds to their delivery to customers. Turnover arises mostly in the UK. Payments on account in advance of work undertaken are excluded from turnover and shown as creditors.

Corporation tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2020

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Tangible assets are stated at cost or valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold property	2% per annum on cost or valuation
Motor vehicles	25% per annum on cost
Plant and equipment	10% per annum on reducing balance

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Stocks

Stock of raw materials and consumables are valued at the lower of cost and net realisable value.

Work in progress is valued on the basis of cost plus an appropriate portion of fixed and variable overheads based on normal levels of activity. Profit on individual contracts is taken only at an appropriate stage in the contract when the lower margins earned to date and the proportion of that prudently forecast at completion can be reasonably ascertained. Provision is made for any foreseeable losses, where appropriate, taking a prudent view of future non-recoverable costs. Profit for the year includes the benefit of claims for recovery of additional costs incurred on contracts completed in prior years.

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2020

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price.

Borrowings

Loans and borrowings are initially recognised at the transaction price including transaction costs. Subsequently they are measured at amortised cost using the effective interest rate method. If an arrangement constitutes a finance transaction it is measured at present value.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit and loss on a straight-line basis over the period of the lease.

Assets acquired under finance leases are capitalised and depreciated over the expected life of the asset. Lease payments are apportioned between the finance charges and the reduction of the outstanding lease liability using the effective interest method.

Assets acquired under hire purchase agreements are capitalised and depreciated over the expected life of the asset. Hire purchase payments are apportioned between the finance charges and the reduction of the outstanding hire purchase liability using the effective interest method.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets and financial liabilities.

3 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2020	2019
	£	£
Sale of goods	<u>16,000,981</u>	<u>14,452,480</u>

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2020

4 Operating profit

Arrived at after charging/(crediting)

	2020	2019
	£	£
Depreciation of tangible fixed assets	494,804	446,722
Operating lease rentals - plant and machinery	79,571	47,877
Profit on disposal of tangible fixed assets	<u>(7,491)</u>	<u>(7,212)</u>

5 Interest receivable and similar income

	2020	2019
	£	£
Bank interest receivable	2,659	1,450
Other interest receivable	<u>20,121</u>	<u>11,512</u>
	<u>22,780</u>	<u>12,962</u>

6 Interest payable and similar expenses

	2020	2019
	£	£
Interest on bank overdrafts and borrowings	8,468	11,489
Interest on obligations under finance leases and hire purchase contracts	16,942	12,228
Interest expense on other finance liabilities	<u>5,070</u>	<u>-</u>
	<u>30,480</u>	<u>23,717</u>

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020	2019
	£	£
Wages and salaries	5,404,450	5,463,355
Social security costs	533,203	541,855
Pension costs, defined contribution scheme	<u>277,250</u>	<u>187,224</u>
	<u>6,214,903</u>	<u>6,192,434</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2020	2019
	No.	No.
Production	120	102
Administration and support	<u>76</u>	<u>72</u>
	<u>196</u>	<u>174</u>

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2020

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £	2019 £
Remuneration	288,798	353,808
Contributions paid to money purchase schemes	104,980	50,444
	<u>393,778</u>	<u>404,252</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2020 No.	2019 No.
Accruing benefits under money purchase pension scheme	<u>3</u>	<u>3</u>

In respect of the highest paid director:

	2020 £	2019 £
Remuneration	105,024	123,017
Company contributions to money purchase pension schemes	<u>40,608</u>	<u>18,828</u>

9 Auditors' remuneration

	2020 £	2019 £
Audit of the financial statements	<u>14,248</u>	<u>10,802</u>

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2020

10 Taxation

Tax charged/(credited) in the income statement

	2020 £	2019 £
Current taxation		
UK corporation tax	199,406	(64,841)
UK corporation tax adjustment to prior periods	<u>(19,218)</u>	<u>(114,584)</u>
	180,188	(179,425)
Deferred taxation		
Arising from origination and reversal of timing differences	<u>76,660</u>	<u>107,574</u>
Tax on profit	<u><u>256,848</u></u>	<u><u>(71,851)</u></u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Profit before tax	<u>1,388,019</u>	<u>145,704</u>
Corporation tax at standard rate	263,724	27,684
Effect of expense not deductible in determining taxable profit	333	3,088
Deferred tax credit from unrecognised temporary difference from a prior period	(19,218)	(114,584)
Tax increase from effect of capital allowances and depreciation	<u>12,009</u>	<u>11,961</u>
Total tax charge/(credit)	<u><u>256,848</u></u>	<u><u>(71,851)</u></u>

No provision is required for deferred tax on revaluation gains, as in the most recent revaluation undertaken on 31 August 2013, there was a revaluation deficit amounting to £75,390.

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2020

Deferred tax

Deferred tax liabilities

	Liability £
2020	
Difference between accumulated depreciation and capital allowances	626,277
2019	
Difference between accumulated depreciation and capital allowances	549,617

11 Tangible assets

	Freehold land and buildings £	Motor vehicles £	Plant and machinery £	Total £
Cost or valuation				
At 1 September 2019	4,251,240	113,236	9,063,797	13,428,273
Additions	-	-	660,861	660,861
Disposals	-	-	(35,250)	(35,250)
At 31 August 2020	4,251,240	113,236	9,689,408	14,053,884
Depreciation				
At 1 September 2019	397,795	50,491	5,294,369	5,742,655
Charge for the year	63,625	21,491	409,689	494,805
Eliminated on disposal	-	-	(11,701)	(11,701)
At 31 August 2020	461,420	71,982	5,692,357	6,225,759
Net book value				
At 31 August 2020	3,789,820	41,254	3,997,051	7,828,125
At 31 August 2019	3,853,445	62,745	3,769,428	7,685,618

Included within the net book value of land and buildings above is £3,789,820 (2019 - £3,853,445) in respect of freehold land and buildings.

Revaluation

The fair value of the company's freehold land and buildings was revalued on 31 August 2013 by an independent valuer. Had this class of asset been measured on a historical cost basis, the carrying amount would have been £1,421,906 (2019 - £1,464,688).

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2020

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2020	2019
	£	£
Plant and machinery	500,579	610,164
Motor vehicles	36,813	62,745
	<u>537,392</u>	<u>672,909</u>

12 Stocks

	2020	2019
	£	£
Raw materials and consumables	131,235	141,814
Work in progress	2,712,985	1,839,780
Long term contracts - applicable payments on account	<u>(1,634,125)</u>	<u>(1,008,736)</u>
	<u>1,210,095</u>	<u>972,858</u>

13 Debtors

	2020	2019
Note	£	£
Trade debtors	1,981,002	2,697,577
Other debtors	1,892,508	1,752,733
Prepayments	349,933	329,505
Corporation tax	10 <u>628,552</u>	<u>569,638</u>
	<u>4,851,995</u>	<u>5,349,453</u>

14 Creditors

	2020	2019
Note	£	£
Due within one year		
Loans and borrowings	18 194,756	207,110
Trade creditors	1,109,395	1,132,711
Social security and other taxes	1,047,535	768,934
Outstanding defined contribution pension costs	32,825	24,729
Accrued expenses	127,107	107,830
Corporation tax	10 <u>239,102</u>	<u>171,750</u>
	<u>2,750,720</u>	<u>2,413,064</u>
Due after one year		
Loans and borrowings	18 <u>362,547</u>	<u>556,895</u>

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2020

15 Provisions for liabilities

	Deferred tax £	Total £
At 1 September 2019	549,617	549,617
Increase/(decrease) in existing provisions	76,660	76,660
At 31 August 2020	626,277	626,277

16 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £277,250 (2019 - £187,224).

Contributions totalling £32,825 (2019 - £24,729) were payable to the scheme at the end of the year and are included in creditors.

17 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	100,000	100,000	100,000	100,000

18 Loans and borrowings

	2020 £	2019 £
Non-current loans and borrowings		
Bank borrowings	48,996	92,069
HP and finance lease liabilities	285,962	406,650
Other borrowings	27,589	58,176
	362,547	556,895

	2020 £	2019 £
Current loans and borrowings		
Bank borrowings	44,362	40,464
HP and finance lease liabilities	120,671	135,215
Other borrowings	29,723	31,431
	194,756	207,110

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2020

Bank borrowings

Bank loans are repayable by equal monthly instalments with a nominal interest rate of 5.44%. The carrying amount at year end is £93,358 (2019 - £132,533).

Bank loans and overdrafts are secured by a mortgage on certain freehold properties and a fixed and floating charge over all current and future assets of the company.

Other borrowings

Other loans are repayable by equal monthly instalments with a nominal interest rate of 6.41%. The carrying amount at year end is £55,897 (2019 - £84,591).

19 Obligations under leases and hire purchase contracts

Finance leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	120,671	135,216
Later than one year and not later than five years	285,962	406,650
	<u>406,633</u>	<u>541,866</u>

Operating leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	16,328	14,524
Later than one year and not later than five years	31,219	5,788
	<u>47,547</u>	<u>20,312</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £24,763 (2019 - £15,856).

20 Contingent liabilities

During the financial year ended 31 August 2018 a fatal accident occurred in the factory. The HSE have investigated the incident. At the date of approval of the financial statements, the outcome of the enquiry has not been completed.

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2020

21 Related party transactions

Key management compensation

	2020	2019
	£	£
Salaries and other short term employee benefits	<u>393,778</u>	<u>404,252</u>

Transactions with directors

	At 1 September 2019	Advances to directors	Repayments by director	At 31 August 2020
	£	£	£	£
2020				
Executors of Mr C T Graham deceased				
Loans from the company	<u>1,024,759</u>	<u>-</u>		<u>1,024,759</u>
Mrs P Graham				
Loans from the company	<u>727,974</u>	<u>17,633</u>		<u>745,607</u>
	At 1 September 2018	Advances to directors	Repayments by director	At 31 August 2019
	£	£	£	£
2019				
Executors of Mr C T Graham deceased				
Loans from the company	<u>946,071</u>	<u>78,688</u>	<u>-</u>	<u>1,024,759</u>
Mrs P Graham				
Loans from the company	<u>78,688</u>	<u>727,974</u>	<u>(78,688)</u>	<u>727,974</u>

Summary of transactions with other related parties

CT Graham Discretionary Trust
(The director Mrs S A Davall is a trustee)

Loans to related parties

	Other related parties	Total
	£	£
2020		
Advanced	120,000	120,000
Interest transactions	<u>2,142</u>	<u>2,142</u>
At end of period	<u>122,142</u>	<u>122,142</u>

22 Controlling party

The company is controlled by CT Graham Discretionary Trust who own 84% of the issued share capital. The ultimate controlling party is the Trustees of CT Graham Discretionary Trust being P Graham, S A Davall, C M Graham-Hodson and K L Sparkes.

Registration number: 01329239

Graham Engineering Limited

Annual Report and Financial Statements

for the Year Ended 31 August 2021

KM
Chartered Accountants & Statutory Auditors
1st Floor, Block C
The Wharf
Manchester Road
Burnley
Lancashire
BB11 1JG

Graham Engineering Limited

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Graham Engineering Limited

Company Information

Directors	Mrs S Davall Mr T Eckford Mr S Fraser Mr F Kelly
Registered office	Edward Street Whitewalls Industrial Estate Nelson Lancashire BB9 8SY
Auditors	KM Chartered Accountants & Statutory Auditors 1st Floor, Block C The Wharf Manchester Road Burnley Lancashire BB11 1JG

Graham Engineering Limited

Strategic Report for the Year Ended 31 August 2021

The directors present their strategic report for the year ended 31 August 2021.

Principal activity

The principal activities of the company are those of precision stainless steel fabricators, deep drawn press work, 5 axis machining, laser cutting, laser engraving and 5 axis welding, all to high quality standards supported by our in-house detail drawings office.

Fair review of the business

Once again, we have seen another year of global uncertainty as the ongoing disruption caused by COVID 19 continues to affect trading across all sectors. Against this background Graham Engineering has managed to produce a financial result better than any previously achieved by the company and this is largely due to the co-operation and flexibility of our workforce and the continued support of our supply chain.

The growth in sales we have seen this year of 25.06% is substantial and was in line with the plan as nuclear, security and developing work have pushed forward whilst we have seen our current aerospace activity reduce. We have continued our capital investment with our combined spend and commitments on equipment at above £1.8m this year further progressing our laser, machining and inspection capabilities.

We are building for the future and we recognise the need for keener practices and technologies in order to successfully tender in our chosen markets. This year's growth in profit margin to 24.63% sees the continued impact of our drive to reduce costs and the benefits of some of the volumes going through the business on more established production items.

The long-awaited release of some of the nuclear tenders has begun although we have seen further delays in other of the programmes that we were planning to bid for. As a result, we are now actively exploring other markets to ensure we can retain the necessary skills and resources to be able to develop the business as originally planned.

We still plan to progress the AS9100 standard in the coming year as the market in aerospace begins to recover. We continue to operate under ISO9001, ISO14001 and ISO45001 (2018). We again received the ROSPA Gold Award this year to compliment the Gold Medal Award we received in 2018.

Fatality and HSE verdict

In May 2018 a fatality occurred at Graham Engineering which has resulted in a guilty verdict arrived at by the Courts in January 2022. The sentence relating to this verdict issued in April 2022 was determined as a fine of £500,000 to be paid by the company. This has been accounted for within these financial statements.

Remarks made by the judge commented particularly on risk assessments and levels of supervision. The company accepts the sentence handed down along with the comments and will reflect on what they mean to their fullest extent. The company is pleased that the judge acknowledged the company's commitment to health and safety and its ongoing improvements to its health and safety management systems from the time of the fatality.

Key performance indicators (KPI's)

The company's key financial and other performance indicators during the year were as follows:

Years ended	31 August 2021	31 August 2020	31 August 2019
Turnover	£20,011,417	£16,000,981	£14,452,480
Turnover growth	25.06%	10.71%	(15.58%)
Gross profit margin	24.63%	19.66%	12.31%
Profit before tax	£2,368,688	£1,388,019	£145,704

Graham Engineering Limited

Strategic Report for the Year Ended 31 August 2021

Principal risks and uncertainties

There are as always a number of risks and uncertainties which could have an impact on the company's performance, both in the forthcoming year and in the longer term.

Risk management is an intrinsic part of this business to ensure that we manage the needs of stakeholders and that strategic objectives are met.

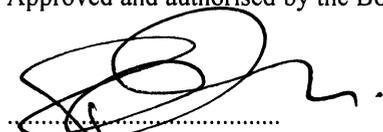
In the unusually uncertain times created by the COVID-19 pandemic we believe that the company can be reasonably expected to continue in operation and meet its liabilities throughout the ongoing emergency. Whilst we cannot predict the extent or duration of the pandemic nor its impact on the global economy we believe we are actively managing the risks to our resources, assets, relationships and not least of all staff on an ongoing, ever changing, basis.

We see no immediate threats or concerns raised by the exit from the European Union as this is a market in which we have little involvement and have no immediate intentions to enter. The core of our market remains in the UK nuclear sector and as such our industry is not as susceptible to the economic climate as other companies. Our main product is intrinsic in the protection of the environment and demand is very much determined by our customers processing abilities. We remain competitive in this area through high quality skills and flexibility.

The company's operations are exposed to a variety of financial risks that include the effects of changes to customer credit risk and supply chain risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company.

Policies are in place to limit the exposure to excess stock being carried forward from one year to the next. The company has no significant concentrations of credit risk. Receivable balances are monitored on an ongoing basis to ensure the company's bad debt exposure is not significant.

Approved and authorised by the Board on 27 May 2022 and signed on its behalf by:



.....
Mr F Kelly
Director

Graham Engineering Limited

Directors' Report for the Year Ended 31 August 2021

The directors present their report and the financial statements for the year ended 31 August 2021.

Directors of the company

The directors who held office during the year were as follows:

Mrs S Davall

Mr T Eckford (appointed 1 April 2021)

Mr S Fraser

Mr F Kelly

Results

The results for the company are set out in the financial statements.

Dividends

Dividends totalling £500,000 (2020 - £Nil) were paid during the year.

Future developments

The company has established a position of innovation and quality in our markets using new technology and reliability as its core values. Going forward, through investment, we intend to continue to use these keystones to underpin our future. The nuclear sector remains a key element of our business and we continue to work at strengthening our relationships here as we develop the extent of our involvement in the health, aerospace and security markets.

Research and development

The company will continue its policy of investment in research and development in order to retain a competitive position in the market.

Risk policies

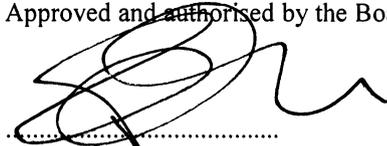
As required by schedule 7.6(1)(a) and 7.6(1)(b) of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 the following information required to be disclosed in the directors report has been disclosed in the Strategic Report on page 3:

- an indication of financial risk management objectives and policies:
- an indication of the different risks the company is exposed to.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved and authorised by the Board on 27 May 2022 and signed on its behalf by:



.....
Mr F Kelly
Director

Graham Engineering Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

Graham Engineering Limited

Independent Auditor's Report to the Members of Graham Engineering Limited

Opinion

We have audited the financial statements of Graham Engineering Limited (the 'company') for the year ended 31 August 2021, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Graham Engineering Limited

Independent Auditor's Report to the Members of Graham Engineering Limited

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 5], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor Responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the company and the nature of the industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, employment regulations, health and safety regulations, anti-bribery, corruption and fraud, money laundering and we considered the extent to which non-compliance might have a material effect on the financial statements. We also identified financial reporting standards and the Companies Act 2006 as having a direct impact on the preparation of financial statements.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but are not limited to:

Graham Engineering Limited

Independent Auditor's Report to the Members of Graham Engineering Limited

- Discussing with the directors and management their policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances with non-compliance;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit;
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud;
- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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



.....
Mark Heaton FCCA (Senior Statutory Auditor)
For and on behalf of KM, Statutory Auditor

1st Floor, Block C
The Wharf
Manchester Road
Burnley
Lancashire
BB11 1JG

27 May 2022

Graham Engineering Limited

Profit and Loss Account for the Year Ended 31 August 2021

	Note	2021 £	2020 £
Turnover	4	20,011,417	16,000,981
Cost of sales		<u>(15,081,996)</u>	<u>(12,854,677)</u>
Gross profit		4,929,421	3,146,304
Distribution costs		(65,105)	(100,724)
Administrative expenses		(2,582,278)	(1,704,084)
Other operating income	5	<u>97,266</u>	<u>54,223</u>
Operating profit	6	2,379,304	1,395,719
Interest receivable and similar income	7	8,185	22,780
Interest payable and similar charges	8	<u>(18,801)</u>	<u>(30,480)</u>
Profit before tax		2,368,688	1,388,019
Tax on profit	12	<u>(535,387)</u>	<u>(256,848)</u>
Profit for the financial year		<u><u>1,833,301</u></u>	<u><u>1,131,171</u></u>

The above results were derived from continuing operations.

Graham Engineering Limited

Statement of Comprehensive Income for the Year Ended 31 August 2021

	2021 £	2020 £
Profit for the year	1,833,301	1,131,171
Deferred tax on property revaluation	<u>(445,944)</u>	<u>-</u>
Total comprehensive income for the year	<u><u>1,387,357</u></u>	<u><u>1,131,171</u></u>

The notes on pages 14 to 27 form an integral part of these financial statements.

Graham Engineering Limited
(Registration number: 01329239)
Balance Sheet as at 31 August 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	13	8,290,019	7,828,125
Current assets			
Stocks	14	55,752	1,210,094
Debtors	15	4,969,423	4,851,995
Cash at bank and in hand		<u>4,790,600</u>	<u>1,956,102</u>
		9,815,775	8,018,191
Creditors: Amounts falling due within one year	16	<u>(3,717,837)</u>	<u>(2,750,719)</u>
Net current assets		<u>6,097,938</u>	<u>5,267,472</u>
Total assets less current liabilities		14,387,957	13,095,597
Creditors: Amounts falling due after more than one year	16	(186,484)	(362,547)
Provisions for liabilities	17	<u>(1,207,343)</u>	<u>(626,277)</u>
Net assets		<u>12,994,130</u>	<u>12,106,773</u>
Capital and reserves			
Called up share capital	19	100,000	100,000
Revaluation reserve		1,901,128	2,367,914
Profit and loss account		<u>10,993,002</u>	<u>9,638,859</u>
Shareholders funds		<u>12,994,130</u>	<u>12,106,773</u>

Approved and authorised by the Board on 27 May 2022 and signed on its behalf by:



.....
Mr F Kelly
Director

Graham Engineering Limited

Statement of Changes in Equity for the Year Ended 31 August 2021

	Share capital	Revaluation reserve	Profit and loss account	Total
	£	£	£	£
At 1 September 2020	100,000	2,367,914	9,638,859	12,106,773
Profit for the year	-	-	1,833,301	1,833,301
Other comprehensive income	-	(466,786)	20,842	(445,944)
Total comprehensive income	-	(466,786)	1,854,143	1,387,357
Dividends	-	-	(500,000)	(500,000)
At 31 August 2021	100,000	1,901,128	10,993,002	12,994,130

	Share capital	Revaluation reserve	Profit and loss account	Total
	£	£	£	£
At 1 September 2019	100,000	2,388,755	8,486,847	10,975,602
Profit for the year	-	-	1,131,171	1,131,171
Other comprehensive income	-	(20,841)	20,841	-
Total comprehensive income	-	(20,841)	1,152,012	1,131,171
At 31 August 2020	100,000	2,367,914	9,638,859	12,106,773

The notes on pages 14 to 27 form an integral part of these financial statements.

Graham Engineering Limited

Statement of Cash Flows for the Year Ended 31 August 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Profit for the year		1,833,301	1,131,171
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	526,877	494,804
Loss/(profit) on disposal of tangible assets		61,715	(7,491)
Finance income	7	(8,185)	(22,780)
Finance costs	8	18,801	30,480
Corporation tax expense	12	535,387	256,848
		<u>2,967,896</u>	<u>1,883,032</u>
Working capital adjustments			
Decrease/(increase) in stocks	14	1,154,342	(237,236)
(Increase)/decrease in trade debtors	15	(287,970)	556,372
Increase in trade creditors	16	1,201,891	282,657
Cash generated from operations		5,036,159	2,484,825
Corporation taxes paid	12	(468,825)	(171,750)
Net cash flow from operating activities		<u>4,567,334</u>	<u>2,313,075</u>
Cash flows from investing activities			
Interest received	7	8,185	22,780
Acquisitions of tangible assets		(1,086,590)	(660,861)
Proceeds from sale of tangible assets		62,411	31,040
Net cash flows from investing activities		<u>(1,015,994)</u>	<u>(607,041)</u>
Cash flows from financing activities			
Interest paid	8	(18,801)	(30,480)
Repayment of bank borrowing		(42,446)	(39,175)
Repayment of other borrowing		(28,609)	(32,294)
Payments to finance lease creditors		(126,986)	(135,232)
Dividends paid		(500,000)	-
Net cash flows from financing activities		<u>(716,842)</u>	<u>(237,181)</u>
Net increase in cash and cash equivalents		2,834,498	1,468,853
Cash and cash equivalents at 1 September		<u>1,956,102</u>	<u>487,249</u>
Cash and cash equivalents at 31 August		<u><u>4,790,600</u></u>	<u><u>1,956,102</u></u>

The notes on pages 14 to 27 form an integral part of these financial statements.

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2021

1 General information

The company is a private company limited by share capital, incorporated in England.

The address of its registered office is:

Edward Street
Whitewalls Industrial Estate
Nelson
Lancashire
BB9 8SY

These financial statements were authorised for issue by the Board on 27 May 2022.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

These financial statements have been prepared on a going concern basis using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Revenue recognition

Turnover represents amounts chargeable, net of value added tax, in respect of the sale of goods to customers. Turnover is recognised when goods are invoiced, which corresponds to their delivery to customers. Payments on account on long term contracts or in advance of work undertaken are included in cost of sales and shown within stocks on the balance sheet.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. When a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Corporation tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2021

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Tangible assets are stated at cost or valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold property	2% per annum on cost or valuation
Motor vehicles	25% per annum on cost
Plant and equipment	10% per annum on reducing balance

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Stocks

Stocks of raw materials and consumables are valued at the lower of cost and net realisable value.

Work in progress is valued on the basis of cost plus an appropriate portion of fixed and variable overheads based on normal levels of activity. Profit on individual contracts is taken only at an appropriate stage in the contract when the lower margins earned to date and the proportion of that prudently forecast at completion can be reasonably ascertained. Profit on major contracts is taken only at 50% completion stage in the contract. Provision is made for any foreseeable losses, where appropriate, taking a prudent view of future non-recoverable costs. Profit for the year includes the benefit of claims for recovery of additional costs incurred on contracts completed in prior years.

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2021

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price.

Borrowings

Loans and borrowings are initially recognised at the transaction price including transaction costs. Subsequently they are measured at amortised cost using the effective interest rate method. If an arrangement constitutes a finance transaction it is measured at present value.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit and loss on a straight-line basis over the period of the lease.

Finance leases giving rights approximating to ownership are capitalised and depreciated over the expected life of the asset. Lease payments are apportioned between the finance charges and the reduction of the outstanding lease liability using the effective interest method.

Assets acquired under hire purchase agreements are capitalised and depreciated over the expected life of the asset. Hire purchase payments are apportioned between the finance charges and the reduction of the outstanding hire purchase liability using the effective interest method.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets and financial liabilities.

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2021

3 Judgements and key sources of estimation uncertainty

Judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Revenue recognition

Individual contracts can be long term in nature. An assessment is made of the stage of completion at a period end, requiring an element of judgement. These judgements are regularly reviewed to reflect the changing environment.

Depreciation

The depreciation expense is the recognition of the decline in the value of the asset and allocation of the cost of the asset over the periods in which the asset will be used. Judgements are made as to the estimated useful life of the assets. These judgements are regularly reviewed to reflect the changing environment.

Impairment of fixed assets

The company assesses the impairment of tangible fixed assets and intangible assets subject to depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable. These judgments are regularly reviewed to reflect the changing environment.

4 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2021	2020
	£	£
Sale of goods	<u>20,011,417</u>	<u>16,000,981</u>

5 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2021	2020
	£	£
Government grants	31,616	43,288
Miscellaneous other operating income	<u>65,650</u>	<u>10,935</u>
	<u>97,266</u>	<u>54,223</u>

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2021

6 Operating profit

Arrived at after charging/(crediting)

	2021	2020
	£	£
Depreciation of tangible fixed assets	526,877	494,804
Fines and penalties	500,170	-
Operating lease rentals - plant and machinery	62,591	79,571
Loss/(profit) on disposal of tangible fixed assets	<u>61,715</u>	<u>(7,491)</u>

7 Interest receivable and similar income

	2021	2020
	£	£
Bank interest receivable	384	2,659
Other interest receivable	<u>7,801</u>	<u>20,121</u>
	<u>8,185</u>	<u>22,780</u>

8 Interest payable and similar expenses

	2021	2020
	£	£
Interest on bank overdrafts and borrowings	3,178	8,468
Interest on obligations under finance leases and hire purchase contracts	12,854	16,942
Interest expense on other finance liabilities	<u>2,769</u>	<u>5,070</u>
	<u>18,801</u>	<u>30,480</u>

9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021	2020
	£	£
Wages and salaries	5,468,370	5,404,449
Social security costs	524,115	533,203
Pension costs, defined contribution scheme	<u>310,564</u>	<u>277,250</u>
	<u>6,303,049</u>	<u>6,214,902</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2021	2020
	No.	No.
Production	111	120
Administration and support	<u>76</u>	<u>76</u>
	<u>187</u>	<u>196</u>

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2021

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £	2020 £
Remuneration	200,816	288,798
Contributions paid to money purchase schemes	<u>129,864</u>	<u>104,980</u>
	<u>330,680</u>	<u>393,778</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2021 No.	2020 No.
Accruing benefits under money purchase pension scheme	<u>3</u>	<u>3</u>

In respect of the highest paid director:

	2021 £	2020 £
Remuneration	98,085	105,024
Company contributions to money purchase pension schemes	<u>64,731</u>	<u>40,608</u>

11 Auditors' remuneration

	2021 £	2020 £
Audit of the financial statements	<u>14,500</u>	<u>14,248</u>

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2021

12 Taxation

Tax charged/(credited) in the income statement

	2021 £	2020 £
Current taxation		
UK corporation tax	400,265	199,406
UK corporation tax adjustment to prior periods	<u>-</u>	<u>(19,218)</u>
	400,265	180,188
Deferred taxation		
Arising from origination and reversal of timing differences	<u>135,122</u>	<u>76,660</u>
Tax on profit	<u><u>535,387</u></u>	<u><u>256,848</u></u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £	2020 £
Profit before tax	<u>2,368,688</u>	<u>1,388,019</u>
Corporation tax at standard rate	450,051	263,724
Effect of expense not deductible in determining taxable profit	95,032	333
Decrease in current tax from adjustment for prior periods	-	(19,218)
Tax (decrease)/increase from effect of capital allowances and depreciation	<u>(9,696)</u>	<u>12,009</u>
Total tax charge	<u><u>535,387</u></u>	<u><u>256,848</u></u>

Deferred tax

Deferred tax liabilities

	Liability £
2021	
Difference between accumulated depreciation and capital allowances	761,399
Deferred tax on property revaluation	<u>445,944</u>
	<u><u>1,207,343</u></u>

	Liability £
2020	
Difference between accumulated depreciation and capital allowances	626,277
Deferred tax on property revaluation	<u>-</u>
	<u><u>626,277</u></u>

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2021

13 Tangible assets

	Land and buildings £	Motor vehicles £	Plant and machinery £	Total £
Cost or valuation				
At 1 September 2020	4,251,240	113,236	9,689,408	14,053,884
Additions	1,827	28,941	1,082,129	1,112,897
Disposals	<u>-</u>	<u>(19,378)</u>	<u>(258,007)</u>	<u>(277,385)</u>
At 31 August 2021	<u>4,253,067</u>	<u>122,799</u>	<u>10,513,530</u>	<u>14,889,396</u>
Depreciation				
At 1 September 2020	461,420	71,982	5,692,357	6,225,759
Charge for the year	63,634	24,086	439,157	526,877
Eliminated on disposal	<u>-</u>	<u>(15,744)</u>	<u>(137,515)</u>	<u>(153,259)</u>
At 31 August 2021	<u>525,054</u>	<u>80,324</u>	<u>5,993,999</u>	<u>6,599,377</u>
Net book value				
At 31 August 2021	<u>3,728,013</u>	<u>42,475</u>	<u>4,519,531</u>	<u>8,290,019</u>
At 31 August 2020	<u>3,789,820</u>	<u>41,254</u>	<u>3,997,051</u>	<u>7,828,125</u>

Included within the net book value of land and buildings above is £3,728,013 (2020 - £3,789,820) in respect of freehold land and buildings.

Revaluation

The fair value of the company's freehold land and buildings was revalued on 31 August 2013 by an independent valuer. Had this class of asset been measured on a historical cost basis, the carrying amount would have been £1,380,942 (2020 - £1,421,906).

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2021 £	2020 £
Plant and machinery	450,521	500,579
Motor vehicles	<u>41,138</u>	<u>36,813</u>
	<u>491,659</u>	<u>537,392</u>

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2021

14 Stocks

	2021 £	2020 £
Raw materials and consumables	167,096	131,235
Work in progress	3,118,190	2,712,984
Long term contracts - payments on account	<u>(3,229,534)</u>	<u>(1,634,125)</u>
	<u>55,752</u>	<u>1,210,094</u>

15 Debtors

	2021 £	2020 £
Trade debtors	2,627,256	1,981,002
Other debtors	1,250,180	1,892,508
Prepayments	633,977	349,933
Corporation tax	<u>458,010</u>	<u>628,552</u>
	<u>4,969,423</u>	<u>4,851,995</u>

16 Creditors

	Note	2021 £	2020 £
Due within one year			
Loans and borrowings	20	199,085	194,756
Trade creditors		1,435,913	1,109,395
Social security and other taxes		1,051,854	1,047,534
Outstanding defined contribution pension costs		30,615	32,825
Accrued expenses		1,000,370	127,107
Corporation tax	12	<u>-</u>	<u>239,102</u>
		<u>3,717,837</u>	<u>2,750,719</u>
Due after one year			
Loans and borrowings	20	<u>186,484</u>	<u>362,547</u>

In May 2018 a fatality occurred at Graham Engineering which has resulted in a guilty verdict arrived at by the Courts in January 2022. The sentence relating to this verdict issued in April 2022 was determined as a fine of £500,000 to be paid by the company. This amount is included in accrued expenses within creditors due within one year.

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2021

17 Provisions for liabilities

	Deferred tax £	Total £
At 1 September 2020	626,277	626,277
Additional provisions	445,944	445,944
Increase/(decrease) in existing provisions	<u>135,122</u>	<u>135,122</u>
At 31 August 2021	<u>1,207,343</u>	<u>1,207,343</u>

The deferred tax liability includes an additional provision for deferred tax on the gain on the revaluation of the company's freehold land and buildings.

18 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £310,564 (2020 - £277,250).

Contributions totalling £30,615 (2020 - £32,825) were payable to the scheme at the end of the year and are included in creditors.

19 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2021

20 Loans and borrowings

	2021 £	2020 £
Non-current loans and borrowings		
Bank borrowings	7,548	48,996
HP and finance lease liabilities	178,936	285,962
Other borrowings	-	27,589
	<u>186,484</u>	<u>362,547</u>
	2021 £	2020 £
Current loans and borrowings		
Bank borrowings	43,364	44,362
HP and finance lease liabilities	127,018	120,671
Other borrowings	28,703	29,723
	<u>199,085</u>	<u>194,756</u>

Bank borrowings

Bank loans are repayable by equal monthly instalments with a nominal interest rate of 7.51%. The carrying amount at year end is £50,912 (2020 - £93,358).

Bank loans and overdrafts are secured by a mortgage on certain freehold properties and a fixed and floating charge over all current and future assets of the company.

Other borrowings

Other loans are repayable by equal monthly instalments with a nominal interest rate of 6.41%. The carrying amount at year end is £27,588 (2020 - £55,897).

Other loans are secured on the assets concerned.

HP and finance lease liabilities

Hire purchase and finance lease contracts are secured on the assets concerned.

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2021

21 Obligations under leases and hire purchase contracts

Finance leases

The total of future minimum lease payments is as follows:

	2021 £	2020 £
Not later than one year	127,018	120,671
Later than one year and not later than five years	178,936	285,962
	<u>305,954</u>	<u>406,633</u>

Operating leases

The total of future minimum lease payments is as follows:

	2021 £	2020 £
Not later than one year	24,732	16,328
Later than one year and not later than five years	37,488	31,219
	<u>62,220</u>	<u>47,547</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £25,328 (2020 - £24,763).

22 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £777,379 (2020 - £Nil).

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2021

23 Related party transactions

Key management compensation

	2021	2020
	£	£
Salaries and other short term employee benefits	<u>330,680</u>	<u>393,778</u>

Transactions with directors

	At 1 September 2020 £	Advances to directors £	Repayments by director £	At 31 August 2021 £
2021				
Executors of Mr CT Graham deceased				
Loans from the company	<u>1,024,759</u>	<u>-</u>	<u>-</u>	<u>1,024,759</u>
Mrs P Graham				
Loans from the company	<u>745,607</u>	<u>5,024</u>	<u>(650,000)</u>	<u>100,632</u>
		At 1		
		September	Advances to	At 31 August
		2019	directors	2020
		£	£	£
2020				
Executors of Mr CT Graham deceased				
Loans from the company		<u>1,024,759</u>	<u>-</u>	<u>1,024,759</u>
Mrs P Graham				
Loans from the company		<u>727,974</u>	<u>17,633</u>	<u>745,607</u>

Summary of transactions with other related parties

CT Graham Discretionary Trust
(The director Mrs S Davall is a trustee)

Loans to related parties

	Other related parties £	Total £
2021		
At start of period	122,142	122,142
Interest transactions	<u>2,647</u>	<u>2,647</u>
At end of period	<u>124,789</u>	<u>124,789</u>
	Other related	
	parties	Total
	£	£
2020		
Advanced	120,000	120,000
Interest transactions	<u>2,142</u>	<u>2,142</u>
At end of period	<u>122,142</u>	<u>122,142</u>

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2021

24 Controlling party

The company is controlled by CT Graham Discretionary Trust who own 84% of the issued share capital. The ultimate controlling party is the Trustees of CT Graham Discretionary Trust being P Graham, S Davall, C Graham-Hodson and K Sparkes.

Registration number: 01329239

Graham Engineering Limited

Annual Report and Financial Statements

for the Year Ended 31 August 2022

KM
Chartered Accountants & Statutory Auditors
1st Floor, Block C
The Wharf
Manchester Road
Burnley
Lancashire
BB11 1JG

Graham Engineering Limited

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Graham Engineering Limited

Company Information

Directors	Mrs S Davall Mr T Eckford Mr S Fraser Mr J Haran Mr F Kelly
Registered office	Edward Street Whitewalls Industrial Estate Nelson Lancashire BB9 8SY
Auditors	KM Chartered Accountants & Statutory Auditors 1st Floor, Block C The Wharf Manchester Road Burnley Lancashire BB11 1JG

Graham Engineering Limited

Strategic Report for the Year Ended 31 August 2022

The directors present their strategic report for the year ended 31 August 2022.

Principal activity

The principal activities of the company are those of precision stainless steel fabricators, deep drawn press work, 5 axis machining, laser cutting, laser engraving and 5 axis welding, all to high quality standards supported by our in-house detail drawings office.

Fair review of the business

After last year's (2021) substantial result it was always going to be a challenge to improve upon both the sales achieved and the profit generated. As such we saw over the year a sales position down by 32.74% from 2021 and the gross margin reduced down from 24.63% to 18.96% (closer to the 2020 level of margin).

The Covid position, still with us, had a bearing on the overall result, with major customers slowing down their required deliveries. The continued uncertainty seen in Europe and the ongoing price volatility also had some part to play with reduced availability of key parts for one of our customers causing a reduced requirement on the company to help them balance out their stocking requirements. In the aerospace sector we saw marginal growth as the up take for civil aircraft has begun after Covid. We expect this to continue and accelerate going forward.

Elsewhere in the nuclear sector, as noted, we saw a reduced requirement from our major customer to levels more representative of their current processing capabilities around almost all of our main production items. The healthcare sector continued to grow (by some 34.9%) from last year whilst customer design issues caused major delays to the work we have in the defence sector. These issues have now been resolved.

The business capital investment continued with a further £1.23m spend during the year and the continued themes of robotics and large scale machining take the main share of the spend. We continue to build for the future whilst improving our performance capabilities in our drive to reduce product costs and use the benefits to make us more competitive.

We still await the release of some of the nuclear tenders with one outcome expected early next year and others yet to bid for being planned into the company infrastructure. We are more active now than ever exploring other markets to ensure we can retain the necessary skills and resources to be able to develop the business as originally planned.

Our plans to progress the AS9100 standard are still there but hinge upon the recovery in the aerospace market. On this front we are beginning to see the early buds of a new era in the coming year as the market in aerospace begins to recover.

We continue to operate under ISO9001, ISO14001 and ISO45001 (2018). We again received the ROSPA Gold Medal award for this year (2022) which is our eighth consecutive Gold award. We intend to submit an application for the industry standard award in the coming year.

Key performance indicators (KPI's)

The company's key financial and other performance indicators during the year were as follows:

Years ended	31 August 2022	31 August 2021	31 August 2020
Turnover	£13,458,702	£20,011,417	£16,000,981
Turnover growth	(32.74)%	25.06%	10.71%
Gross profit margin	18.96%	24.63%	19.66%
Profit before tax	£542,457	£2,368,688	£1,388,019

Graham Engineering Limited

Strategic Report for the Year Ended 31 August 2022

Principal risks and uncertainties

There are as always a number of risks and uncertainties which could have an impact on the company's performance, both in the forthcoming year and in the longer term.

Risk management is an intrinsic part of this business to ensure that we manage the needs of stakeholders and that strategic objectives are met.

In the continued uncertain times, having worked through Covid, we now have significant inflation and war in Europe to navigate but we believe the company can reasonably be expected to continue in operation and meet its liabilities for the foreseeable future. Whilst we cannot predict with any certainty the duration or extent of these items we believe we are actively managing the risks to our resources, assets, relationships and our staff on an ongoing basis.

We see no immediate threats or concerns raised by the exit from the European Union as this is a market in which we have little involvement and have no immediate intentions to enter. The core of our market remains in the UK nuclear sector and as such our industry is not as susceptible to the economic climate as other companies. Our main product is intrinsic in the protection of the environment and demand is very much determined by our customers processing abilities. We remain competitive in this area through high quality skills and flexibility.

The company's operations are exposed to a variety of financial risks that include the effects of changes to customer credit risk and supply chain risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company.

Policies are in place to limit the exposure to excess stock being carried forward from one year to the next. The company has no significant concentrations of credit risk. Receivable balances are monitored on an ongoing basis to ensure the company's bad debt exposure is not significant.

Approved and authorised by the Board on 23 December 2022 and signed on its behalf by:



.....
Mr F Kelly
Director

Graham Engineering Limited

Directors' Report for the Year Ended 31 August 2022

The directors present their report and the financial statements for the year ended 31 August 2022.

Directors of the company

The directors who held office during the year were as follows:

Mrs S Davall

Mr T Eckford

Mr S Fraser

Mr F Kelly

The following director was appointed after the year end:

Mr J Haran (appointed 1 October 2022)

Results

The results for the company are set out in the financial statements.

Dividends

Dividends totalling £500,000 (2021 - £500,000) were paid during the year.

Future developments

As part of our business development model we continually look for new markets and this year have identified an area that could add significant growth quickly over the next few years with only marginal sales seen in this financial year.

Research and development

The company will continue its policy of investment in research and development in order to retain a competitive position in the market.

Risk policies

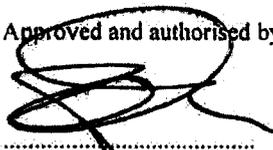
As required by schedule 7.6(1)(a) and 7.6(1)(b) of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 the following information required to be disclosed in the directors report has been disclosed in the Strategic Report on page 3:

- an indication of financial risk management objectives and policies;
- an indication of the different risks the company is exposed to.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved and authorised by the Board on 23 December 2022 and signed on its behalf by:



.....
Mr F Kelly
Director

Graham Engineering Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

Graham Engineering Limited

Independent Auditor's Report to the Members of Graham Engineering Limited

Opinion

We have audited the financial statements of Graham Engineering Limited (the 'company') for the year ended 31 August 2022, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Graham Engineering Limited

Independent Auditor's Report to the Members of Graham Engineering Limited

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 5], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor Responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the company and the nature of the industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, employment regulations, health and safety regulations, anti-bribery, corruption and fraud, money laundering and we considered the extent to which non-compliance might have a material effect on the financial statements. We also identified financial reporting standards and the Companies Act 2006 as having a direct impact on the preparation of financial statements.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but are not limited to:

Graham Engineering Limited

Independent Auditor's Report to the Members of Graham Engineering Limited

- Discussing with the directors and management their policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances with non-compliance;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit;
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud;
- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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



.....
Mark Heaton FCCA (Senior Statutory Auditor)
For and on behalf of KM, Statutory Auditor

1st Floor, Block C
The Wharf
Manchester Road
Burnley
Lancashire
BB11 1JG

13 January 2023

Graham Engineering Limited

Profit and Loss Account for the Year Ended 31 August 2022

	Note	2022 £	2021 £
Turnover	4	13,458,702	20,011,417
Cost of sales		<u>(10,907,065)</u>	<u>(15,081,996)</u>
Gross profit		2,551,637	4,929,421
Distribution costs		(70,911)	(65,105)
Administrative expenses		(1,950,767)	(2,582,278)
Other operating income	5	<u>28,590</u>	<u>97,266</u>
Operating profit	6	558,549	2,379,304
Interest receivable and similar income	7	6,619	8,185
Interest payable and similar charges	8	<u>(22,711)</u>	<u>(18,801)</u>
Profit before tax		542,457	2,368,688
Tax on profit	12	<u>(301,841)</u>	<u>(535,387)</u>
Profit for the financial year		<u><u>240,616</u></u>	<u><u>1,833,301</u></u>

The above results were derived from continuing operations.

Graham Engineering Limited

Statement of Comprehensive Income for the Year Ended 31 August 2022

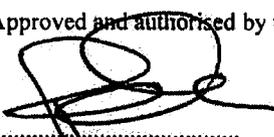
	2022 £	2021 £
Profit for the year	240,616	1,833,301
Movement in deferred tax on property revaluation	<u>(135,157)</u>	<u>(445,944)</u>
Total comprehensive income for the year	<u><u>105,459</u></u>	<u><u>1,387,357</u></u>

The notes on pages 14 to 27 form an integral part of these financial statements.

Graham Engineering Limited
(Registration number: 01329239)
Balance Sheet as at 31 August 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	13	8,934,050	8,290,019
Current assets			
Stocks	14	1,319,496	55,752
Debtors	15	4,543,820	4,969,423
Cash at bank and in hand		<u>2,698,454</u>	<u>4,790,600</u>
		8,561,770	9,815,775
Creditors: Amounts falling due within one year	16	<u>(2,479,098)</u>	<u>(3,717,837)</u>
Net current assets		<u>6,082,672</u>	<u>6,097,938</u>
Total assets less current liabilities		15,016,722	14,387,957
Creditors: Amounts falling due after more than one year	16	(678,427)	(186,484)
Provisions for liabilities	17	<u>(1,738,706)</u>	<u>(1,207,343)</u>
Net assets		<u>12,599,589</u>	<u>12,994,130</u>
Capital and reserves			
Called up share capital	19	100,000	100,000
Revaluation reserve		1,743,303	1,901,128
Profit and loss account		<u>10,756,286</u>	<u>10,993,002</u>
Shareholders funds		<u>12,599,589</u>	<u>12,994,130</u>

Approved and authorised by the Board on 23 December 2022 and signed on its behalf by:



.....
Mr F Kelly
Director

Graham Engineering Limited

Statement of Changes in Equity for the Year Ended 31 August 2022

	Share capital	Revaluation reserve	Retained earnings	Total
	£	£	£	£
At 1 September 2021	100,000	1,901,128	10,993,002	12,994,130
Profit for the year	-	-	240,616	240,616
Other comprehensive income	-	(157,825)	22,668	(135,157)
Total comprehensive income	-	(157,825)	263,284	105,459
Dividends	-	-	(500,000)	(500,000)
At 31 August 2022	100,000	1,743,303	10,756,286	12,599,589
	£	£	£	£
At 1 September 2020	100,000	2,367,914	9,638,859	12,106,773
Profit for the year	-	-	1,833,301	1,833,301
Other comprehensive income	-	(466,786)	20,842	(445,944)
Total comprehensive income	-	(466,786)	1,854,143	1,387,357
Dividends	-	-	(500,000)	(500,000)
At 31 August 2021	100,000	1,901,128	10,993,002	12,994,130

The notes on pages 14 to 27 form an integral part of these financial statements.

Graham Engineering Limited

Statement of Cash Flows for the Year Ended 31 August 2022

	Note	2022 £	2021 £
Cash flows from operating activities			
Profit for the year		240,616	1,833,301
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	591,446	526,877
(Profit)/loss on disposal of tangible assets		(4,082)	61,715
Finance income	7	(6,619)	(8,185)
Finance costs	8	22,711	18,801
Corporation tax expense	12	301,841	535,387
		1,145,913	2,967,896
Working capital adjustments			
(Increase)/decrease in stocks	14	(1,263,744)	1,154,342
Decrease/(increase) in trade debtors	15	645,646	(287,970)
(Decrease)/increase in trade creditors	16	(1,584,561)	1,201,891
Cash generated from operations		(1,056,746)	5,036,159
Income taxes paid	12	(124,828)	(468,825)
Net cash flow from operating activities		(1,181,574)	4,567,334
Cash flows from investing activities			
Interest received	7	6,619	8,185
Acquisitions of tangible assets		(62,184)	(1,086,590)
Proceeds from sale of tangible assets		6,322	62,411
Net cash flows from investing activities		(49,243)	(1,015,994)
Cash flows from financing activities			
Interest paid	8	(22,711)	(18,801)
Repayment of bank borrowing		(43,225)	(42,446)
Repayment of other borrowing		(27,588)	(28,609)
Payments to finance lease creditors		(267,805)	(126,986)
Dividends paid		(500,000)	(500,000)
Net cash flows from financing activities		(861,329)	(716,842)
Net (decrease)/increase in cash and cash equivalents		(2,092,146)	2,834,498
Cash and cash equivalents at 1 September		4,790,600	1,956,102
Cash and cash equivalents at 31 August		2,698,454	4,790,600

The notes on pages 14 to 27 form an integral part of these financial statements.

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2022

1 General information

The company is a private company limited by share capital, incorporated in England.

The address of its registered office is:

Edward Street
Whitewalls Industrial Estate
Nelson
Lancashire
BB9 8SY

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

These financial statements have been prepared on a going concern basis using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

Revenue recognition

Turnover represents amounts chargeable, net of value added tax, in respect of the sale of goods to customers. Turnover is recognised when goods are invoiced, which corresponds to their delivery to customers. Payments on account on long term contracts or in advance of work undertaken are included in cost of sales and shown within stocks on the balance sheet.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. When a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Corporation tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2022

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Tangible assets are stated at cost or valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold property	2% per annum on cost or valuation
Motor vehicles	25% per annum on cost
Plant and equipment	10% per annum on reducing balance

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Stocks

Stocks of raw materials and consumables are valued at the lower of cost and net realisable value.

Work in progress is valued on the basis of cost plus an appropriate portion of fixed and variable overheads based on normal levels of activity. Profit on individual contracts is only taken at an appropriate stage in the contract when the margins earned to date and the proportion of that prudently forecast at completion can be reasonably ascertained. Profit on major contracts is taken only at 50% completion stage in the contract. Provision is made for any foreseeable losses, where appropriate, taking a prudent view of future non-recoverable costs. Profit for the year includes the benefit of claims for recovery of additional costs incurred on contracts completed in prior years.

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2022

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price.

Borrowings

Loans and borrowings are initially recognised at the transaction price including transaction costs. Subsequently they are measured at amortised cost using the effective interest rate method. If an arrangement constitutes a finance transaction it is measured at present value.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit and loss on a straight-line basis over the period of the lease.

Finance leases giving rights approximating to ownership are capitalised and depreciated over the expected life of the asset. Lease payments are apportioned between the finance charges and the reduction of the outstanding lease liability using the effective interest method.

Assets acquired under hire purchase agreements are capitalised and depreciated over the expected life of the asset. Hire purchase payments are apportioned between the finance charges and the reduction of the outstanding hire purchase liability using the effective interest method.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets and financial liabilities.

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2022

3 Judgements and key sources of estimation uncertainty

Judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Revenue recognition

Individual contracts can be long term in nature. An assessment is made of the stage of completion at a period end, requiring an element of judgement. These judgements are regularly reviewed to reflect the changing environment.

Profit recognition

Individual contracts can be long term in nature. An assessment is made of the profit on individual contracts at a period end, requiring an element of judgement. These judgements are regularly reviewed to reflect the changing environment.

Depreciation

The depreciation expense is the recognition of the decline in the value of the asset and allocation of the cost of the asset over the periods in which the asset will be used. Judgements are made as to the estimated useful life of the assets. These judgements are regularly reviewed to reflect the changing environment.

Impairment of fixed assets

The company assesses the impairment of tangible fixed assets and intangible assets subject to depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable. These judgements are regularly reviewed to reflect the changing environment.

4 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2022	2021
	£	£
Sale of goods	<u>13,458,702</u>	<u>20,011,417</u>

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2022

5 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2022 £	2021 £
Government grants	-	31,616
Miscellaneous other operating income	28,590	65,650
	28,590	97,266

6 Operating profit

Arrived at after charging/(crediting)

	2022 £	2021 £
Depreciation of tangible fixed assets	591,446	526,877
Fines and penalties	-	500,170
Compensation claims	25,000	325,000
Operating lease rentals - plant and machinery	46,832	62,591
(Profit)/loss on disposal of tangible fixed assets	(4,082)	61,715
	(4,082)	61,715

7 Interest receivable and similar income

	2022 £	2021 £
Bank interest receivable	1,617	384
Other interest receivable	5,002	7,801
	6,619	8,185

8 Interest payable and similar expenses

	2022 £	2021 £
Interest on bank overdrafts and borrowings	1,556	3,178
Interest on obligations under finance leases and hire purchase contracts	20,263	12,854
Interest expense on other finance liabilities	892	2,769
	22,711	18,801

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2022

9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2022	2021
	£	£
Wages and salaries	5,385,545	5,468,370
Social security costs	548,016	524,115
Pension costs, defined contribution scheme	309,862	310,564
	6,243,423	6,303,049

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2022	2021
	No.	No.
Production	95	111
Administration and support	79	76
	174	187

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022	2021
	£	£
Remuneration	232,934	200,816
Contributions paid to money purchase pension schemes	130,435	129,864
	363,369	330,680

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2022	2021
	No.	No.
Accruing benefits under money purchase pension schemes	2	2

In respect of the highest paid director:

	2022	2021
	£	£
Remuneration	100,364	98,085
Company contributions to money purchase pension schemes	65,418	64,731

11 Auditors' remuneration

	2022	2021
	£	£
Audit of the financial statements	16,500	14,500

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2022

12 Taxation

Tax charged/(credited) in the income statement

	2022	2021
	£	£
Current taxation		
UK corporation tax	(57,189)	400,265
UK corporation tax adjustment to prior periods	<u>(37,176)</u>	<u>-</u>
	(94,365)	400,265
Deferred taxation		
Arising from origination and reversal of timing differences	<u>396,206</u>	<u>135,122</u>
Tax on profit	<u><u>301,841</u></u>	<u><u>535,387</u></u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2021 - higher than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022	2021
	£	£
Profit before tax	<u>542,457</u>	<u>2,368,688</u>
Corporation tax at standard rate	103,067	450,051
Effect of expense not deductible in determining taxable profit	352	95,032
Deferred tax expense relating to changes in tax rates	277,825	-
Decrease in current tax from adjustment for prior periods	(37,176)	-
Tax decrease from effect of capital allowances and depreciation	<u>(42,227)</u>	<u>(9,696)</u>
Total tax charge	<u><u>301,841</u></u>	<u><u>535,387</u></u>

Deferred tax

Deferred tax liabilities

	Asset	Liability
	£	£
2022		
Difference between accumulated depreciation and capital allowances	-	1,157,605
Deferred tax on property revaluation	<u>-</u>	<u>581,101</u>
	<u>-</u>	<u>1,738,706</u>
2021		
Difference between accumulated depreciation and capital allowances	-	761,399
Deferred tax on property revaluation	<u>-</u>	<u>445,944</u>
	<u>-</u>	<u>1,207,343</u>

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2022

13 Tangible assets

	Land and buildings £	Motor vehicles £	Plant and machinery £	Total £
Cost or valuation				
At 1 September 2021	4,253,067	122,799	10,513,530	14,889,396
Additions	194,117	-	1,043,601	1,237,718
Disposals	-	-	(12,221)	(12,221)
At 31 August 2022	<u>4,447,184</u>	<u>122,799</u>	<u>11,544,910</u>	<u>16,114,893</u>
Depreciation				
At 1 September 2021	525,054	80,324	5,993,999	6,599,377
Charge for the year	65,486	19,870	506,091	591,447
Eliminated on disposal	-	-	(9,981)	(9,981)
At 31 August 2022	<u>590,540</u>	<u>100,194</u>	<u>6,490,109</u>	<u>7,180,843</u>
Net book value				
At 31 August 2022	<u>3,856,644</u>	<u>22,605</u>	<u>5,054,801</u>	<u>8,934,050</u>
At 31 August 2021	<u>3,728,013</u>	<u>42,475</u>	<u>4,519,531</u>	<u>8,290,019</u>

Included within the net book value of land and buildings above is £3,856,644 (2021 - £3,728,013) in respect of freehold land and buildings.

Revaluation

The fair value of the company's freehold land and buildings was revalued on 31 August 2013 by an independent valuer. Had this class of asset been measured on a historical cost basis, the carrying amount would have been £1,532,240 (2021 - £1,380,942).

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2022 £	2021 £
Plant and machinery	1,646,555	450,521
Motor vehicles	15,073	41,138
	<u>1,661,629</u>	<u>491,659</u>

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2022

14 Stocks

	2022 £	2021 £
Raw materials and consumables	146,159	167,096
Work in progress	1,426,590	3,118,190
Long term contracts - payments on account	<u>(253,253)</u>	<u>(3,229,534)</u>
	<u>1,319,496</u>	<u>55,752</u>

15 Debtors

	2022 £	2021 £
Trade debtors	2,214,820	2,627,256
Other debtors	1,254,730	1,250,180
Prepayments	396,217	633,977
Corporation tax	<u>678,053</u>	<u>458,010</u>
	<u>4,543,820</u>	<u>4,969,423</u>

16 Creditors

	Note	2022 £	2021 £
Due within one year			
Loans and borrowings	20	544,057	199,085
Trade creditors		1,205,623	1,435,913
Social security and other taxes		493,891	1,051,854
Outstanding defined contribution pension costs		30,056	30,615
Accrued expenses		204,621	1,000,370
Corporation tax	12	<u>850</u>	<u>-</u>
		<u>2,479,098</u>	<u>3,717,837</u>
Due after one year			
Loans and borrowings	20	<u>678,427</u>	<u>186,484</u>

17 Provisions for liabilities

	Deferred tax £	Total £
At 1 September 2021	1,207,343	1,207,343
Increase/(decrease) in existing provisions	<u>531,363</u>	<u>531,363</u>
At 31 August 2022	<u>1,738,706</u>	<u>1,738,706</u>

The deferred tax liability includes a provision for deferred tax on the gain on the revaluation of the company's freehold land and buildings.

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2022

18 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £309,862 (2021 - £310,564).

Contributions totalling £30,056 (2021 - £30,615) were payable to the scheme at the end of the year and are included in creditors.

19 Share capital

Allotted, called up and fully paid shares

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2022

20 Loans and borrowings

	2022 £	2021 £
Non-current loans and borrowings		
Bank borrowings	-	7,548
HP and finance lease liabilities	678,427	178,936
	<u>678,427</u>	<u>186,484</u>
	2022 £	2021 £
Current loans and borrowings		
Bank borrowings	7,687	43,364
HP and finance lease liabilities	535,255	127,018
Other borrowings	1,115	28,703
	<u>544,057</u>	<u>199,085</u>

Bank borrowings

Bank loans are repayable by equal monthly instalments with a nominal interest rate of 7.51%. The carrying amount at year end is £7,687 (2021 - £50,912).

Bank loans and overdrafts are secured by a mortgage on certain freehold properties and a fixed and floating charge over all current and future assets of the company.

Other borrowings

Other loans are repayable by equal monthly instalments with a nominal interest rate of 6.41%. The carrying amount at year end is £Nil (2021 - £27,588).

Other loans are secured on the assets concerned.

HP and finance lease liabilities

Hire purchase and finance lease contracts are secured on the assets concerned.

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2022

21 Obligations under leases and hire purchase contracts

Hire purchase contracts

The total of future minimum lease payments is as follows:

	2022	2021
	£	£
Not later than one year	552,112	135,502
Later than one year and not later than five years	768,734	183,687
	<u>1,320,846</u>	<u>319,189</u>

Operating leases

The total of future minimum lease payments is as follows:

	2022	2021
	£	£
Not later than one year	24,136	24,732
Later than one year and not later than five years	13,352	37,488
	<u>37,488</u>	<u>62,220</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £24,732 (2021 - £25,328).

22 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £14,000 (2021 - £777,379).

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2022

23 Related party transactions

Key management compensation

	2022	2021
	£	£
Salaries and other short term employee benefits	<u>363,369</u>	<u>330,680</u>

Transactions with directors and former directors

	At 1 September 2021 £	Advances to director £	At 31 August 2022 £
2022			
Executors of Mr CT Graham deceased			
Loans from the company	<u>1,024,759</u>	<u>-</u>	<u>1,024,759</u>
Mrs P Graham			
Loans from the company	<u>100,632</u>	<u>2,031</u>	<u>102,663</u>
	At 1 September 2020 £	Advances to director £	Repayments by director £
2021			At 31 August 2021 £
Executors of Mr CT Graham deceased			
Loans from the company	<u>1,024,759</u>	<u>-</u>	<u>-</u>
Mrs P Graham			
Loans from the company	<u>745,607</u>	<u>5,024</u>	<u>(650,000)</u>

Summary of transactions with other related parties

CT Graham Discretionary Trust
(The director Mrs S Davall is a trustee)

Loans to related parties

	Other related parties £	Total £
2022		
At start of period	124,789	124,789
Interest transactions	<u>2,519</u>	<u>2,519</u>
At end of period	<u>127,308</u>	<u>127,308</u>
	Other related parties £	Total £
2021		
At start of period	122,142	122,142
Interest transactions	<u>2,647</u>	<u>2,647</u>
At end of period	<u>124,789</u>	<u>124,789</u>

Graham Engineering Limited

Notes to the Financial Statements for the Year Ended 31 August 2022

24 Controlling party

The company is controlled by CT Graham Discretionary Trust who own 84% of the issued share capital. The ultimate controlling party is the Trustees of CT Graham Discretionary Trust being P Graham, S Davall, C Graham-Hodson and K Sparkes.

Schedule 4 Pro forma Balance Sheet

Net assets statement

	£'000	GEL		KTG								
	Aug-22	1.76	Aug-22 AUD	Jun 2022 AUD	Dec 2022 AUD	Convertible note raise (\$2m)	Subscription (\$20m)	Acquisition	Debt funding	Issue of advisor securities	Issue of options	Proforma Consolidated Balances (\$20m)
Current assets												
Cash and cash equivalents	2,698,454		4,749,279	3,726,745	1,501,406	2,000,000	18,600,000	(25,565,591)	10,000,000			11,285,094
Trade and other receivables	4,543,820		7,997,123	856,547	681,681							8,678,804
Inventories	1,319,496		2,322,313	1,309,187	2,418,915							4,741,228
Financial assets	-		-	40,000	-							40,000
Total current assets	8,561,770		15,068,715	5,932,479	4,642,002							24,745,126
Non current assets												
Other receivables	-		-	14,150	14,150							14,150
Property, plant and equipment	8,934,050		15,723,928	426,366	573,970							16,297,898
Right-of-use assets	-		-	437,320	699,298							699,298
Goodwill	-		-	-	-			8,670,314				8,670,314
Intangibles	-		-	30,876	25,302							25,302
Total non-current assets	8,934,050		15,723,928	908,712	1,312,720							25,706,962
Total assets	17,495,820		30,792,643	6,841,191	5,954,722							50,452,089
Liabilities												
Current liabilities												
Trade and other payables	2,479,098		4,363,212	1,211,147	1,530,910							5,894,122
Amounts received in advance	-		-	322,256	208,044							208,044
Lease liabilities	-		-	77,730	105,989							105,989
Employee benefits	-		-	199,935	207,107							207,107
Total current liabilities	2,479,098		4,363,212	1,811,068	2,052,050							6,415,262
Non-current liabilities												
Trade and other payables	678,427		1,194,032	-	-							1,194,032
Borrowings	-		-	-	-				10,000,000			10,000,000
Provision for liabilities	1,738,706		3,060,123	-	-							3,060,123
Lease liabilities	-		-	359,590	601,384							601,384
Employee benefits	-		-	16,715	42,680							42,680
Contingent consideration	-		-	-	-			5,280,000				5,280,000
Total non-current liabilities	2,417,133		4,254,154	376,305	644,064							20,178,218
Total liabilities	4,896,231		8,617,367	2,187,373	2,696,114							26,593,481
Net assets	12,599,589		22,175,277	4,653,818	3,258,608							23,858,608
Equity												
Issued capital	100,000		176,000	27,299,303	27,449,304	2,000,000	18,600,000	(176,000)		225,000	(136,848)	48,137,456
Revaluation reserve	1,743,303		3,068,213	-	-			(3,068,213)				-
Share based payment reserve	-		-	2,566,786	2,784,371						561,030	3,345,401
Foreign currency translation reserve	-		-	5,335	529,588							529,588
Accumulated profits / (losses)	10,756,286		18,931,063	(25,217,606)	(27,504,655)			(18,931,063)		(225,000)	(424,182)	(28,153,837)
Total equity	12,599,589		22,175,277	4,653,818	3,258,608	-	-	0	-	-	-	23,858,608

Notes:

- 1 Acquisition is accounted for as a normal business combination
- 2 KTG is the accounting parent.
- 3 The acquisition has been provisionally accounted for and that a purchase price allocation will be undertaken as at the completion date which may result in a reallocation among the asset's including goodwill in future reporting periods
- 4 Advisor options valued using black-scholes valuation. No director options will be issued
- 5 Closing cash and working capital position is subject to finalisation of terms through the SPA negotiation. Current proforma cash position includes entire cash balance for GEL which is subject to discussion and consequently may change.
- 6 Land value assumed to be GBP4.5m (~A\$8m) which will be 100% debt funded
- 7 Recompance raise of \$20m (min) and \$25m (max)

Net assets statement

	£'000	GEL		KTG		Convertible note raise (\$2m)	Subscription (\$25m)	Acquisition	Debt funding	Issue of advisor securities	Issue of options	Proforma Consolidated Balances (\$20m)
	Aug-22	1.76 Aug-22 AUD	Jun 2022 AUD	Dec 2022 AUD								
Current assets												
Cash and cash equivalents	2,698,454	4,749,279	3,726,745	1,501,406		2,000,000	23,250,000	(25,565,591)	10,000,000			15,935,094
Trade and other receivables	4,543,820	7,997,123	856,547	681,681								8,678,804
Inventories	1,319,496	2,322,313	1,309,187	2,418,915								4,741,228
Financial assets	-	-	40,000	40,000								40,000
Total current assets	8,561,770	15,068,715	5,932,479	4,642,002								29,395,126
Non current assets												
Other receivables	-	-	14,150	14,150								14,150
Property, plant and equipment	8,934,050	15,723,928	426,366	573,970								16,297,898
Right-of-use assets	-	-	437,320	699,298								699,298
Goodwill	-	-	-	-				8,670,314				8,670,314
Intangibles	-	-	30,876	25,302								25,302
Total non-current assets	8,934,050	15,723,928	908,712	1,312,720								25,706,962
Total assets	17,495,820	30,792,643	6,841,191	5,954,722								55,102,089
Liabilities												
Current liabilities												
Trade and other payables	2,479,098	4,363,212	1,211,147	1,530,910								5,894,122
Amounts received in advance	-	-	322,256	208,044								208,044
Lease liabilities	-	-	77,730	105,989								105,989
Employee benefits	-	-	199,935	207,107								207,107
Total current liabilities	2,479,098	4,363,212	1,811,068	2,052,050								6,415,262
Non-current liabilities												
Trade and other payables	678,427	1,194,032	-	-								1,194,032
Borrowings	-	-	-	-					10,000,000			10,000,000
Provision for liabilities	1,738,706	3,060,123	-	-								3,060,123
Lease liabilities	-	-	359,590	601,384								601,384
Employee benefits	-	-	16,715	42,680								42,680
Contingent consideration	-	-	-	-				5,280,000				5,280,000
Total non-current liabilities	2,417,133	4,254,154	376,305	644,064								20,178,218
Total liabilities	4,896,231	8,617,367	2,187,373	2,696,114								26,593,481
Net assets	12,599,589	22,175,277	4,653,818	3,258,608								28,508,608
Equity												
Issued capital	100,000	176,000	27,299,303	27,449,304	2,000,000	23,250,000	(176,000)			225,000	(136,848)	52,787,456
Revaluation reserve	1,743,303	3,068,213	-	-			(3,068,213)					-
Share based payment reserve	-	-	2,566,786	2,784,371							561,030	3,345,401
Foreign currency translation reserve	-	-	5,335	529,588								529,588
Accumulated profits / (losses)	10,756,286	18,931,063	(25,217,606)	(27,504,655)			(18,931,063)			(225,000)	(424,182)	(28,153,837)
Total equity	12,599,589	22,175,277	4,653,818	3,258,608			0					28,508,608

Notes:

- 1 Acquisition is accounted for as a normal business combination
- 2 KTIG is the accounting parent.
- 3 The acquisition has been provisionally accounted for and that a purchase price allocation will be undertaken as at the completion date which may result in a reallocation among the asset's including goodwill in future reporting periods
- 4 Advisor options valued using black-scholes valuation. No director options will be issued
- 5 Closing cash and working capital position is subject to finalisation of terms through the SPA negotiation. Current proforma cash position includes entire cash balance for GEL which is subject to discussion and consequently may change.
- 6 Land value assumed to be GBP4.5m (~A\$8m) which will be 100% debt funded
- 7 Recompliance raise of \$20m (min) and \$25m (max)

Schedule 5 Terms and Conditions of Corporate Advisor Options

The terms and conditions of the Corporate Advisor Options, in this Schedule referred to as 'Options', are as follows:

1. **(Entitlement)**: Each Option entitles the holder to subscribe for one Share upon exercise of the Option.
2. **(Expiry Date)**: Each Option will expire at 5:00pm (AWST) on the date that is four years from the date that the Company completes the acquisition of Graham Engineering Limited (**Expiry Date**).
3. **(Exercise Period)**: The Options are exercisable at any time on or prior to the Expiry Date.
4. **(Exercise Price)**: The Options are exercisable at \$0.25 each (**Exercise Price**) on a post-Consolidation basis.
5. **(Quotation of the Options)**: The Company will not apply for quotation of the Options on any securities exchange.
6. **(Transferability)**: The Options are not transferable.
7. **(Notice of Exercise)**: The Options may be exercised by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and, if applicable, payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

Any Notice of Exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt of the Notice of Exercise and, if applicable, the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

8. **(Timing of issue of Shares on exercise)**: Within 5 Business Days after the Exercise Date the Company will:
 - (a) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which, if applicable, cleared funds have been received by the Company; and
 - (b) if required, give ASX a notice that complies with section 708A(5)€ of the Corporations Act.
9. **(Restrictions on transfer of Shares)**: If the Company is unable to give ASX a notice that complies with section 708A(5)€ of the Corporations Act, Shares issued on exercise of the Options may not be traded and will be subject to a holding lock until 12 months after their issue unless the Company, at its sole discretion, elects to issue a prospectus pursuant to section 708A(11) of the Corporations Act.
10. **(Timing of application for quotation)** If admitted to the official list of ASX at the time, the Company must apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options within 10 Business Days of the end of the quarter in which the exercise occurred, or within such other time period required by the Listing Rules.
11. **(Shares issued on exercise)**: Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

12. **(Takeovers prohibition):**
 - (a) the issue of Shares on exercise of the Options is subject to and conditional upon the issue of the relevant Shares not resulting in any person being in breach of section 606(1) of the Corporations Act; and
 - (b) the Company will not be required to seek the approval of its members for the purposes of item 7 of section 611 of the Corporations Act to permit the issue of any Shares on exercise of the Options.
13. **(Reconstruction of capital):** If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reconstruction.
14. **(Participation in new issues):** There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.
15. **(Entitlement to dividends):** The Options do not confer any entitlement to a dividend, whether fixed or at the discretion of the directors, during the currency of the Options without exercising the Options.
16. **(Entitlement to capital return):** The Options do not confer any right to a return of capital, whether in a winding up, upon a reduction of capital or otherwise, and similarly do not confer any right to participate in the surplus profit or assets of the Company upon a winding up, in each case, during the currency of the Options without exercising the Options.
17. **(Adjustments for reorganisation):** If there is any reorganisation of the issued share capital of the Company, the rights of the Option holder will be varied in accordance with the Listing Rules.
18. **(Adjustment for bonus issues of Shares):** If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):
 - (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
 - (b) no change will be made to the Exercise Price.
19. **(Voting rights):** The Options do not confer any right to vote at meetings of members of the Company, except as required by law, during the currency of the Options without first exercising the Options.
20. **(Constitution):** Upon the issue of Shares on exercise of the Options, the holder agrees to be bound by the Company's constitution.

Schedule 6 Terms and conditions of ASX in-principle advice

1. In-principle Advice Application

Based on the information provided, ASX is not aware of any reasons that would cause KTG not to have a structure and operations suitable for a listed entity for the purposes of Listing Rule 1.1 condition 1 or that would cause ASX to exercise its discretion to refuse re-admission to the Official List under Listing Rule 1.19.

It should be noted that the receipt of this advice is not a guarantee that KTG will be re-admitted to the Official List – it must still meet all of the requirements for re-admission and re-quotations set out in Chapters 1 and 2 of the Listing Rules to ASX's satisfaction.

2. Confirmation Decision – Listing Rule 1.1 Condition 11

1. *Subject to resolution 2 and based solely on the information provided, on receipt of an application for re-admission to the Official List of ASX Limited ('ASX') by K-TIG Limited (the 'Company') and in connection with the Company's proposed acquisition of 100% of the issued capital of Graham Engineering Limited ('GEL'), ASX is likely to confirm that GEL is not considered a 'classified asset' under the Listing Rules.*
2. *Resolution 1 applies only until 17 May 2023 and is subject to any amendments to the Listing Rules or change in the interpretation or administration of the Listing Rules and policies of ASX.*
3. *ASX has considered the definition of 'Classified Asset' as defined by Chapter 19 of the Listing Rules only and makes no statement as to the Company's compliance with other Listing Rules.*

3. Confirmation Decision - section 3.4 of Guidance Note 12 ('pre-emptive capital raising')

Based on the information provided, on receipt of an application for re-admission to the Official List of ASX by KTG ('Company'), ASX is likely to confirm that the proposed offer of convertible notes to raise approximately \$2,000,000 ('Notes') is not likely to be considered to be a 'pre-emptive capital raise' for the purposes of section 3.4 of Guidance Note 12, subject to the following conditions:

1. *the Company remains suspended until the Company is reinstated to quotation on the Official List of ASX or the proposed acquisition of Graham Engineering Limited is terminated;*
2. *the conversion price of the Notes is not less than the re-compliance capital raising price; and*
3. *the Company releases an announcement disclosing the material terms of the Notes and a detailed use of funds for amounts to be raised from the Notes.*

4. Confirmation Decision – Listing Rule 6.1

ASX provided verbal confirmation to the Company that the terms of the Convertible Notes were not inconsistent with Listing Rule 6.1.

Schedule 7 Summary of terms and conditions of Convertible Notes

Issuer	K-TIG Limited
Face Value	\$1,000 per Note.
Funds Raised	\$2,000,000 (before costs).
Debt Instrument	Prior to the satisfaction of the Conversion Conditions (defined below), the Notes will be debt instruments.
Conversion Conditions	<p>Subject to satisfaction of the following conversion conditions, the Notes will automatically convert into ordinary shares in the Company upon the Company's next equity raise of equal to or greater than AUD \$4,000,000 (before costs) (Conversion Date):</p> <p>(a) the Company obtaining shareholder approval for the conversion of the Notes into shares and options in the capital of the Company (Shareholder Approval); and</p> <p>(b) the Company successfully completing a future capital raise of no less than \$4,000,000 (Future Capital Raising),</p> <p>(Conversion Conditions)</p>
Conversion Price	The Notes will convert into fully paid ordinary shares in the capital of the Company (Shares) at a conversion price which is equal to the issue price of the Shares under the Future Capital Raising.
Interest	<p>Simple, non-compounding interest will accrue on the Notes at the rate of 10% per annum. Interest accrues on a daily from the date of issue and is repayable on conversion or redemption:</p> <p>(a) in cash, or</p> <p>(b) at the election of the Company and subject to shareholder approval, through the issue of Shares issued at the Conversion Price at maturity.</p>
Placement Capacity / Shareholder Approval	No equity securities will be issued until Shareholder Approval is obtained under Listing Rule 7.1.
Security	The Notes are unsecured, unsubordinated and rank behind any secured indebtedness of the Company whilst ranking pari-passu as between themselves.
Unquoted	The Notes will be unquoted. The Company will apply for quotation of the Shares issued on conversion.
Maturity	24 months from the issue date.
Options	<p>On conversion of the Notes, and subject to satisfaction of the Conversion Conditions, the Noteholders will receive 1 unquoted option for every Share issued on conversion, with an exercise price equal to the Conversion Price expiring approximately 36 months after the Conversion Date (Options).</p> <p>In the event the Conversion Conditions are not satisfied, the Company must, prior to maturity:</p>

	<p>(a) seek shareholder approval for the issue of 20,000,000 Options with an exercise price equal to the Company's 20 day VWAP as at the date of the shareholder meeting, expiring 36 months after the issued date, such that each Noteholder is issued 10,000 Options per Note; or</p> <p>(b) (in the event the shareholder approval is not obtained), reimburse the Noteholder a further \$350 for each Note in addition to accrued interest.</p>
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Schedule 8 Terms and conditions of Conversion Options

The terms and conditions of the Conversion Options, in this Schedule referred to as 'Options', are as follows:

1. **(Entitlement)**: Each Option entitles the holder to subscribe for one Share upon exercise of the Option.
2. **(Expiry Date)**: Each Option will expire at 5:00pm (AWST) on the date that is three years from the date of conversion of the convertible notes (**Expiry Date**).
3. **(Exercise Period)**: The Options are exercisable at any time on or prior to the Expiry Date.
4. **(Exercise Price)**: The Options are exercisable at \$0.20 each (**Exercise Price**) on a post-Consolidation Basis, subject to Shareholders approving the Transaction Resolutions. In the event that the Transaction Resolutions are not approved, the Exercise Price will be determined at a future Shareholder meeting.
5. **(Quotation of the Options)**: The Company will not apply for quotation of the Options on any securities exchange.
6. **(Transferability)**: The Options are not transferable.
7. **(Notice of Exercise)**: The Options may be exercised by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and, if applicable, payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

Any Notice of Exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt of the Notice of Exercise and, if applicable, the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).
8. **(Timing of issue of Shares on exercise)**: Within 5 Business Days after the Exercise Date the Company will:
 - (a) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which, if applicable, cleared funds have been received by the Company; and
 - (b) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act.
9. **(Restrictions on transfer of Shares)**: If the Company is unable to give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, Shares issued on exercise of the Options may not be traded and will be subject to a holding lock until 12 months after their issue unless the Company, at its sole discretion, elects to issue a prospectus pursuant to section 708A(11) of the Corporations Act.
10. **(Timing of application for quotation)** If admitted to the official list of ASX at the time, the Company must apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options within 10 Business Days of the end of the quarter in which the exercise occurred, or within such other time period required by the Listing Rules.
11. **(Shares issued on exercise)**: Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

12. **(Takeovers prohibition):**
 - (a) the issue of Shares on exercise of the Options is subject to and conditional upon the issue of the relevant Shares not resulting in any person being in breach of section 606(1) of the Corporations Act; and
 - (b) the Company will not be required to seek the approval of its members for the purposes of item 7 of section 611 of the Corporations Act to permit the issue of any Shares on exercise of the Options.
13. **(Reconstruction of capital):** If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reconstruction.
14. **(Participation in new issues):** There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.
15. **(Entitlement to dividends):** The Options do not confer any entitlement to a dividend, whether fixed or at the discretion of the directors, during the currency of the Options without exercising the Options.
16. **(Entitlement to capital return):** The Options do not confer any right to a return of capital, whether in a winding up, upon a reduction of capital or otherwise, and similarly do not confer any right to participate in the surplus profit or assets of the Company upon a winding up, in each case, during the currency of the Options without exercising the Options.
17. **(Adjustments for reorganisation):** If there is any reorganisation of the issued share capital of the Company, the rights of the Option holder will be varied in accordance with the Listing Rules.
18. **(Adjustment for bonus issues of Shares):** If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):
 - (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
 - (b) no change will be made to the Exercise Price.
19. **(Voting rights):** The Options do not confer any right to vote at meetings of members of the Company, except as required by law, during the currency of the Options without first exercising the Options.
20. **(Constitution):** Upon the issue of Shares on exercise of the Options, the holder agrees to be bound by the Company's constitution.

Proxy Voting Form

If you are attending the virtual Meeting please retain this Proxy Voting Form for online Securityholder registration.

Your proxy voting instruction must be received by **10.00am (AWST) on Wednesday, 24 May 2023**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

Lodging your Proxy Voting Form:

Online:

Use your computer or smartphone to appoint a proxy at <https://investor.automic.com.au/#/loginsah>

or scan the QR code below using your smartphone

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.



BY MAIL:

Automic
GPO Box 5193
Sydney NSW 2001

IN PERSON:

Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

BY EMAIL:

meetings@automicgroup.com.au

BY FACSIMILE:

+61 2 8583 3040

All enquiries to Automic:

WEBSITE: <https://automicgroup.com.au/>

PHONE: 1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

