

Company Registration No. 11434186 (England and Wales)

FUSION TOPCO LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2022

MONDAY



AC7G2URU

A12

10/07/2023

#130

COMPANIES HOUSE

FUSION TOPCO LIMITED

COMPANY INFORMATION

Directors	Mr E Baker Mr M Mahomed Mr A R Tomkinson Mr P J Williamson
Secretary	Gateley Secretaries Limited
Company number	11434186
Registered office	One Eleven Edmund Street Birmingham West Midlands B3 2HJ
Auditor	CLA Evelyn Partners Limited 103 Colmore Row Birmingham B3 3AG United Kingdom
Bankers	HSBC (UK) Plc 1 Centenary Square Birmingham B1 1HQ
Solicitors	Gateley LLP One Eleven Edmund Street Birmingham West Midlands B3 2HJ

FUSION TOPCO LIMITED

CONTENTS

	Page
Strategic report	1 - 4
Directors' report	5 - 9
Directors' responsibilities statement	10
Independent auditor's report	11 - 13
Group statement of comprehensive income	14 - 15
Group statement of financial position	16 - 17
Company statement of financial position	18
Group statement of changes in equity	19
Company statement of changes in equity	20
Group statement of cash flows	21
Notes to the financial statements	22 - 48

FUSION TOPCO LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

The Group

Fusion Topco Limited is principally a holding company.

The Fusion Group (consisting of Nylacast Automotive, and Nylacast Engineered Products) is a world- leading innovator in the design, development and supply of precision manufactured engineering polymer products with high- performance, low-weight and low-friction characteristics.

Holding five decades of engineering excellence and know-how, the Group employs passionate teams across seven international sites (UK, USA, South Africa, and China), and is committed to meeting the needs of critical applications within key global industries including Oil, Gas, Energy, Automotive, Food & Beverage, Marine, Defence, Pharmaceutical, Renewables and Cable Protection Systems.

The Group's unique Research and Development capability provides full engineering solutions from initial concepts and raw chemistry, through to final products. With our Engineering and Technical support team, who specialise in Cable Protection Systems, our product offering and service to customers continues to be strengthened. The unique material range developed by the Group is proven to improve performance whilst reducing running and maintenance costs giving environmental benefits to businesses. Our material solutions are often recognised as the ideal cost- efficient replacement to traditional engineering materials such as steel, cast iron, bronze and ceramics.

Business Review

The results for the year and key performance indicators for the group were as follows:

	Year to 31 December 2022	Year to 31 December 2021
	£'000	£'000
Revenue	63,090	45,770
Gross profit	28,763	20,091
Operating profit/(loss) (pre-exceptional items)	3,568	(2,834)
Loss before tax (pre-exceptional items)	(3,755)	(9,980)

The directors report the Group turnover was £63.1m for the year of trading to 31 December 2022 (2021: £45.8m). In 2022 the Board re-categorised power costs from Overheads to Cost of Sales. The figures above for 2021 have been revised to reflect this new position. The gross margin percentage of 45.6% (on continuing activities before exceptional costs) represents a positive operational performance on the sales for the Group (2021: 43.9%). The increase in turnover and gross margin % results from the continued recovery in 2022 of the markets, particularly in Engineered Products, and the growth delivered by its acquisitions in 2020.

During 2022 the Group continued the integration of its 2020 acquisitions with the Hive-up of Super Grip (UK) into Nylacast Engineered Products Limited. The completion of this restructuring has provided a strengthened reporting structure, operational efficiencies, and allowed a focus on market growth. This, alongside the acquisition of Pipeline Engineering IP in 2022, offers an expanded product portfolio into customers in the Oil and Gas and Renewables sectors.

FUSION TOPCO LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Key Performance Indicators

Execution of business activities across the Group are measured against a series of key performance indicators, focusing upon sales revenue, gross profit % and operating profit. Management focus is then given to performance delivered by each of the KPIs, in addition to operational improvement, customer development, sector and geographical analysis. The Group's financial KPIs are described in the business review above. No other KPIs are deemed necessary to explain the development, performance, or position of the Group.

Financing facility

Financing facilities were put in place with HSBC following the acquisition of the Group by Equistone Partners. There have been no changes to these facilities, and they are to be reviewed on 30 June 2025. See note 20 on Borrowings.

Following the impact of COVID-19, the Group reached agreement with HSBC to amend its covenants up to December 2022. At the end of December 2022, and the re-introduction of key covenant targets, all covenants were passed.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks.

The Group's key business risks and uncertainties during the course of the period have principally been associated with external factors, and the strength of market demand for products in the key market sectors of construction, quarrying, agriculture, mining and automotive. Other risks have been associated with cost containment of both input materials prices, labour resource, and the inflationary impact of power costs on the manufacturing process.

The Group continues to successfully pursue diversification in products, geographical markets, and market sectors, thus seeking to reduce its reliance on specific areas. In addition, lean manufacturing techniques continue to be used to generate a lower cost base and maintain a competitive environment in which materials are purchased.

Credit risk

With regard to credit risk the Group has implemented policies that require appropriate credit checks on all potential customers before contracts are commenced. The Group also covers its credit risk through appropriate insurance.

Liquidity risk

This is the risk that the Group may not be able to meet its financial obligations as they fall due. The Group aims to manage liquidity by ensuring it will always have sufficient resources to meet its liabilities as they fall due, under both normal and stressed conditions. Liquidity is provided through cash balances and access to Group's committed bank loan facilities.

Interest rate risk

The Group's exposure to market risk for changes in interest rates primarily relates to the long-term debt facilities.

Exchange rate risk

The Group is exposed to both translation and transaction impacts due to changes in foreign exchange rates. These risks principally relate to the US Dollar/Sterling, Chinese Yuan Renminbi / Sterling, and Euro/Sterling rates.

Transaction risk arises where revenues or costs are denominated in a currency other than Sterling. This risk principally relates to the US Dollar, and the Euro exchange rates with Sterling. There is a partial natural hedge with the Euro arising from revenues and purchases denominated in Euro. During the period, the Group was exposed to movements in the US Dollar and Chinese Yuan Renminbi rate.

FUSION TOPCO LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Statement by the directors in performance of their statutory duties in accordance with Section 172(1) Companies Act 2006

Throughout 2022, the directors have complied with the requirements of Section 172 of the Companies Act 2006, in promoting the long-term success of the Group for the benefit of all stakeholders. The following disclosure describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the directors' statement required under section 414CZA of the Companies Act 2006.

The directors' intention is to behave responsibly towards our stakeholders and treat them fairly and equally, so they too may benefit from the successful delivery of our plan. When making strategic decisions the directors have taken into account the likely consequences of these decisions in the long term.

Engaging with stakeholders

The governance framework of the Group delegates authority for local decision making to directors up to defined levels of cost and impact. Reports are regularly made to the Group Board by the business units about the strategy, performance and key decisions taken which provides the Group Board with assurance that proper consideration is given to stakeholder interests in decision making.

The directors place significant importance on the strength of its relationships with all its stakeholders to promote the sustainable success of the Group. In order to fulfil their duties, the directors, and the Group itself take care to have regard to the likely consequences on all stakeholders of the decisions and actions which they take. Such considerations ensure the business is making decisions with a longer-term view in mind and with the sustainable success of the business at its core.

Where possible, decisions are carefully discussed with affected groups and are therefore, fully understood and supported when taken. Details of the Group's key stakeholders and how we engage with them are set out below.

Shareholder

We rely on the support of our main shareholder, Equistone, and its opinions are important to us. We have an open dialogue with our shareholder through regular one-to-one meetings and reporting to the Group Board during monthly Board meetings.

Discussions cover a wide range of topics including financial performance, strategy, outlook, governance, ethical practices, environmental practices, sustainability, and health and safety.

Employees

Our people are key to the Group's success, and we want them to be successful individually and as a team. There are many ways we engage with and listen to our people including monthly briefings, listening groups, face-to-face briefings, employee safety meetings, newsletters, toolbox talks and through our occupational health support. Key areas of focus include business updates, new products and services, health and wellbeing, training programs, development opportunities, pay and benefits. Feedback from employees are made to the Board via the People Team ensuring consideration is given to employee needs and via Health and Safety meetings. Occupational health support continue to be made available to all individuals in the business.

Customers

We build relationships with our customers and spend considerable time analysing customer trends and reviewing customer feedback, including from customer review meetings, to understand their needs and views and listen to how we can improve our offer and service. The senior management team meets on a monthly basis to discuss the customer concerns including management reviews on quality. For certain customers the business reviews the customer dashboards to identify where improvements can be made.

Suppliers

We have built strong relationships with our suppliers to develop mutually beneficial and lasting partnerships. Engagement with suppliers is primarily through formal reviews. Key areas of focus include quality, product development, health and safety and productivity. The Group agrees payment terms with suppliers when it enters into contracts for the purchase of goods or services and seeks to abide by those terms when it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

FUSION TOPCO LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Communities and the environment

We engage with the communities in which we operate to build trust and understand the local issues that are important to them. Key areas of focus include how we can support local causes and issues, create opportunities to recruit and develop local people, and help to look after the environment. In consultation with our employees, we select one main charity partner to work with across the business but also work with local charities and organisations at a site level to raise awareness and funds. The impact of decisions on the environment both locally and nationally is considered with such considerations as the use of energy in our process and how this might be minimised. We, for example, have taken action to take 100% of our electrical energy from renewable sources.

Government and regulators

We engage with the government and regulators through a range of industry consultations, forums, meetings, and conferences to communicate our views to policy makers relevant to our business. Key areas of focus are compliance with laws and regulations, health and safety and product safety. The Board is updated on legal and regulatory developments as appropriate and takes these into account when considering future actions.

Decision making in practice

One of the major decisions made by the Group's shareholder in recent years has been the demerger of the Automotive and Engineered Products business. This, alongside the acquisition of both Super Grip and Viva Nylons has focused management on key markets, and accelerated growth in the business. The Holdings Board supported these decisions and as part of the overall strategic direction to deliver value and security for current and future stakeholders.

Future developments

The directors produced a strategic plan for the business, which supports the Group's vision for future growth and profitability.

The Group remains in a strong position poised for growth in all its key markets, with the growth in its marine sectors, and the introduction of PU through the acquisition of Pipeline Engineering IP, with access to wider markets and complementary customer base.

The Group continues the strategic drive to more fully separate the Automotive and Engineered Products Divisions, strengthening the management teams to allow more specific targeted strategies for both Divisions preparing for their future growth plans.

The business has recently moved all its electricity supplies to renewable sources and will continue to look at economically beneficial ways to ensure the Groups impact on the environment is minimised. The drive for ESG continues with the introduction of Eco-Vadis into the business.

In February 2023 Nylacast Limited announced to its work force that due to current economic conditions in the UK that main line production at its UK facility would cease. Restructuring costs associated with this will be taken into 2023. Since the announcement, the costs of UK manufacture associated with the mainline business have been successfully transferred to China.

On behalf of the board



.....
Mr M Mahomed

Director

30/05/2023
Date:

FUSION TOPCO LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Principal activities

The principal activity of the Company during the financial period was that of a holding Company. The principal activity of the Group is the development, manufacture, and distribution of engineered nylon components.

Results and dividends

The results for the year are set out on pages 14 to 15.

No ordinary dividends were paid (2021: £nil). The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr E Baker
Mr M Mahomed
Mr A R Tomkinson
Mr P J Williamson

Qualifying third party indemnity provisions

The Group has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Going concern

Notwithstanding the Group's net liabilities of £45.4m at 31 December 2022, a Group loss before taxation for the year then ended of £4.7m and a Group loss after taxation for the year then ended of £5.7m, the financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

As the situation and uncertainty associated with the war in Ukraine continues to evolve, there remains the potential for the creation of additional future financial risk. In response to this and its impact on the Group and Company's ability to continue as a going concern, management have prepared several scenarios to model the potential impact on the Group for at least 12 months from the date of approval of these financial statements.

As part of the ongoing programme of ensuring the liquidity of the Group and Company, pre-emptive activities have been undertaken, including cost reductions and cash management programs to protect the business through this period. In addition to this, various growth activities have been undertaken to generate new income streams under the Value Growth road map programme. Initiatives include the development of Platform Access devices for the Oil and Renewables industry, Downhole centralisers made from recycled nylon, stock re-balancing in the manufacturing operations, financing of capital equipment and growth development in the US through our current distribution hub.

The Group has a £3.8m revolving credit facility which offers significant and additional capital for the business during these current uncertain times.

FUSION TOPCO LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors have also prepared cash flow forecasts and covenant compliance forecasts for a period of at least 12 months from the date of approval for these financials statements ("the going concern period") which indicate, considering reasonably severe but plausible downsides, that the Group and Company will have sufficient funds to meet their liabilities as they fall due for the going concern period as well as meet the Group's covenant requirements.

Net Debt levels, servicing costs, working capital and covenant requirements are closely monitored and managed in accordance with the Groups objectives, policies and processes, and these have been considered as a part of these forecasts. At 30 April 2023, the Group was financed by £7.6m cash (inc, £3.8m RCF), £16.2m of term loans and £66.2m of loan notes with related parties. There are financial covenants on the term loans. The principal amount of the Group external borrowings for loan A falls due on 30 June 2024 and loan B falls due on the 30 June 2025. The RCF is reviewed on an annual basis, however, the directors expect it to remain available until at least the end of the period covered by the cash flow forecasts. In the reasonably severe but plausible downside cash flow forecast scenario, the RCF is not required to meet the Group's liabilities as they fall due during the going concern period.

The Group has loan notes held by the shareholders of the Group. The loan notes are repayable in June 2028 or on an earlier sale of the business. It is common for private equity investors to advance capital to businesses with repayment usually delayed until the sale of the business. The interest on these loan notes rolls up into the amount owing.

Based on these indications the directors believe that it remains appropriate to prepare the Group's and Company's financial statements on a going concern basis.

Financial instruments

The Group's principal financial instrument is cash generated from the operations. The main purpose of the financial instruments is to provide the finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors that arise directly from its operations. It is and has been throughout the period under review regularly. The main risks arising from the Group's financial instruments are foreign exchange risk, interest risk and liquidity risk, which have been commented on in the strategic report.

Research and development

The Group continues to invest resources in research and development in order to maintain and enhance its intellectual property, market position and product capability; in so doing, the Group is able to improve existing products and introduce new products and processes for its customers.

Employee involvement

The Group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the Group's performance.

The group's policy is to give full and fair consideration to applications for employment by disabled persons, having regard to their particular aptitudes and abilities. For employees who become disabled whilst employed by the group, the group's policy is to arrange appropriate training and facilities to enable them to continue to develop their careers within the group.

Auditor

CLA Evelyn Partners Limited were appointed as auditor to the Group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

FUSION TOPCO LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Energy and carbon reporting

The following figures show the consumption and associated emissions for this fourth year of reporting for Nylacast UK trading entities, with figures from the previous reporting period included for comparison.

Scope 1 consumption and emissions relate to direct combustion of natural gas, and fuels utilised for transportation operations, such as company vehicle fleets.

Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day- to-day business operations.

<i>Energy consumption</i>	kWh 2022	kWh 2022	kWh 2021	kWh 2021
Aggregate of energy consumption in the year				
- Gas combustion	3,369,282		3,066,994	
- Fuel consumed for transport	90,072		32,616	
- Electricity purchased	11,290,365		11,339,347	
		<u>14,749,719</u>		<u>14,438,957</u>
<i>Emissions of CO2 equivalent</i>	Metric tonnes 2022	Metric tonnes 2022	Metric tonnes 2021	Metric tonnes 2021
Scope 1 - direct emissions				
- Gas combustion	615.03		561.75	
- Fuel consumed for owned transport	21.15		7.60	
		<u>636.18</u>		<u>569.35</u>
Scope 2 - indirect emissions				
- Electricity purchased		2,183.33		2,407.68
Scope 3 - other indirect emissions				
- Fuel consumed for transport not owned by the company		-		-
Total gross emissions		<u>2,819.51</u>		<u>2,977.03</u>
<i>Intensity ratio</i>				
tCO2e / £m turnover (UK)		<u>57.66</u>		<u>62.32</u>

FUSION TOPCO LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Quantification and reporting methodology

This report (including the Scope 1 and 2 consumption and CO₂e emissions data) has been developed and calculated using the *GHG Protocol – A Corporate Accounting and Reporting Standard* (World Business Council for Sustainable Development and World Resources Institute, 2004); *Greenhouse Gas Protocol – Scope 2 Guidance* (World Resources Institute, 2015); *ISO 14064-1 and ISO 14064-2* (ISO, 2018; ISO, 2019a); *Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance* (HM Government, 2019).

Government Emissions Factor Database 2022 version 1 has been used, utilising the published kWh gross calorific value (CV) and kgCO₂e emissions factors relevant for reporting period 01/01/2022 – 31/12/2022.

Estimations were undertaken to cover missing billing periods for properties directly invoiced to the group. These were calculated on a kWh/day pro-rata basis at meter level.

All estimations equated to 1.42% of reported consumption.

Intensity metrics have been calculated using total tCO₂e figures and the selected performance indicator agreed with the group for the relevant report period.

Total relevant UK Turnover 2022 £48.9m (2021: £47.8m).

Energy Efficiency Improvements

The group are committed to year-on-year improvements in their operational energy efficiency. As such, a register of energy efficiency measures available to the group has been compiled, with a view to implementing these measures in the next 5 years.

Measures prioritised for implementation in 2023/24

The group is mandated to comply with the Energy Savings Opportunity Scheme (ESOS) and as such produces a summary of all available energy efficiency improvements on a four-year cycle. This will be completed again in line with the 2023 Phase 3 compliance deadline. Recommendations found within the Phase 2 reporting are being reviewed and will be acted on where practical.

Sustainability awareness training

Upon the normalisation of operation within the group following the COVID-19 pandemic, the implementation of ongoing training in energy conservation and sustainability awareness is being considered for all staff across the business.

Energy and Environment Strategy

The group are working towards implementing an Energy and Environment strategy that ensures ongoing energy and carbon reductions over the coming years in line with the UK's 2050 net zero targets.

Strategic report

The Group has chosen in accordance with Companies Act 2006, s.414C(11) to set out in the Group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of future developments and principal risks and uncertainties.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

Environmental matters

The Group has an environmental policy which is fully supported by the Board of Directors. In the period, the Group maintained the quality standards TS16949, ISO9001 and ISO29001, which underlines the commitment to achieving the highest level of quality in all its operations; and, in addition, maintained the ISO 14001 Environmental certification for all UK sites.

FUSION TOPCO LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

On behalf of the board



.....
Mr M Mahomed
Director

Date: 30/05/2023
.....

FUSION TOPCO LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the Group and parent Company 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 they have elected to prepare the Group and parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Parent Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUSION TOPCO LIMITED

Opinion

We have audited the financial statements of Fusion Topco Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cashflows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 group's and of the parent company's affairs as at 31 December 2022 and of the group's loss 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 group and parent 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Report and Financial Statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUSION TOPCO LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 directors' responsibilities statement, set out on page 10, 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 group's and the parent 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 group or the parent 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.

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

We obtained a general understanding of the group's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations; the entity's policies and procedures regarding compliance; and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the Company's industry and regulation. In relation to the group's subsidiary in China, we also made enquiries to subsidiary management and that subsidiary's external audit team.

We understand that the group complies with the framework through:

- The Directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly; and
- The engagement of external experts to achieve ongoing tax compliance and to assist with the preparation of the statutory accounts.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the group's ability to conduct its business and where there is a risk that failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the group:

- The Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements.
- UK taxation law.
- The Health and Safety at Work Act 1974.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUSION TOPCO LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements(continued)

The procedures carried out to gain evidence in the above areas included:

- Making enquiries of management and reviewing board meeting minutes;
- Inspecting any correspondence with the Health and Safety Executive regarding the outcome of any inspections or enquiries; and
- Correspondence with the group's external legal council regarding any existing claims.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The areas identified in this discussion were:

- The risk that management may be incentivised to overstate revenue, particularly in relation to year end cut off; and
- Manipulation of the financial statements to increase revenue and/or profits via fraudulent journal entries.

These areas were communicated to the other members of the engagement team not present at the discussion.

The procedures we carried out to gain evidence in the above areas included:

- Testing of revenue transactions close to the year end to underlying documentation to ensure revenue has been recorded in the correct period; and
- Testing of manual journal entries, selected based on specific risk characteristics, including those increasing revenue posted to unusual accounts.

A further description of our responsibilities is available 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.

B.J Stapleton

B J Stapleton (May 30, 2023 16:40 GMT+1)

Benjamin Stapleton (Senior Statutory Auditor)
for and on behalf of CLA Evelyn Partners Limited, Statutory Auditor
Chartered Accountants
103 Colmore Row
Birmingham
B3 3AG
United Kingdom

FUSION TOPCO LIMITED

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

	Notes	Continuing operations £'000	Exceptional items (note 4) £'000	31 December 2022 £'000	Continuing operations items £'000	Exceptional items (note 4) £'000	31 December 2021 £'000
Turnover	3						
Cost of sales		63,090 (34,327)	- -	63,090 (34,327)	45,770 (24,036)	- -	45,770 (24,036)
Gross profit		<u>28,763</u>	<u>-</u>	<u>28,763</u>	<u>21,734</u>	<u>-</u>	<u>21,734</u>
Selling and distribution costs		(1,682)	-	(1,682)	(1,510)	-	(1,510)
Administrative expenses		(20,574)	(1,006)	(21,580)	(17,961)	(676)	(18,637)
Other operating income		-	-	-	99	-	99
Other operating costs		(2,939)	-	(2,939)	(5,196)	-	(5,196)
Operating profit/(loss)	7	<u>3,568</u>	<u>(1,006)</u>	<u>2,562</u>	<u>(2,834)</u>	<u>(676)</u>	<u>(3,510)</u>
Interest receivable and similar income	9	11	-	11	23	-	23
Interest payable and similar expenses	10	(7,334)	-	(7,334)	(7,169)	-	(7,169)
Loss before taxation		<u>(3,755)</u>	<u>(1,006)</u>	<u>(4,761)</u>	<u>(9,980)</u>	<u>(676)</u>	<u>(10,656)</u>
Tax on loss	11	(938)	-	(938)	(381)	-	(381)
Loss for the financial year		<u>(4,693)</u>	<u>(1,006)</u>	<u>(5,699)</u>	<u>(10,361)</u>	<u>(676)</u>	<u>(11,037)</u>
Other comprehensive income net of taxation							
Currency translation differences				455			(128)
Total comprehensive income for the year				<u>(5,244)</u>			<u>(11,165)</u>

FUSION TOPCO LIMITED

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

	Notes	Continuing operations £'000	Exceptional items (note 4) £'000	31 December 2022 £'000	Continuing operations items £'000	Exceptional items (note 4) £'000	31 December 2021 £'000
Loss for the financial year is attributable to:							
- Owners of the parent company				(5,734)			(11,064)
- Non-controlling interests				35			27
				<u>(5,699)</u>			<u>(11,037)</u>
Total comprehensive income for the year is attributable to:							
- Owners of the parent company				(5,279)			(11,192)
- Non-controlling interests				35			27
				<u>(5,244)</u>			<u>(11,165)</u>

FUSION TOPCO LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2022**

		2022	2021
	Notes	£'000	£'000
Fixed assets			
Goodwill	12	28,467	33,699
Other intangible assets	12	102	-
Total intangible assets		28,569	33,699
Tangible assets	13	12,083	13,390
		40,652	47,089
Current assets			
Stocks	16	6,788	4,880
Debtors	17	16,103	10,897
Cash at bank and in hand		6,257	4,747
		29,148	20,524
Creditors: amounts falling due within one year	18	(14,621)	(12,456)
Net current assets		14,527	8,068
Total assets less current liabilities		55,179	55,157
Creditors: amounts falling due after more than one year	19	(100,131)	(95,315)
Provisions for liabilities	23	(450)	-
Net liabilities		(45,402)	(40,158)
Capital and reserves			
Called up share capital	26	15	15
Share premium account	27	672	672
Profit and loss reserves	27	(46,241)	(40,962)
Equity attributable to owners of the parent company		(45,554)	(40,275)
Non-controlling interests		152	117
		(45,402)	(40,158)

FUSION TOPCO LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2022

The financial statements were approved by the board of directors and authorised for issue on 30/05/2023 and are signed on its behalf by:



.....
Mr M Mahomed
Director

FUSION TOPCO LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

		2022		2021	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Investments	14		-		-
Current assets					
Debtors: amounts falling due after more than one year	17	687		687	
Net current assets			687		687
Net assets			687		687
Capital and reserves					
Called up share capital	26		15		15
Share premium account	27		672		672
Total equity			687		687

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes as it prepares Group accounts. The Company's profit for the year was £nil (2021: £nil).

The financial statements were approved by the board of directors and authorised for issue on 30/05/2023 and are signed on its behalf by:



.....
Mr M Mahomed
Director

FUSION TOPCO LIMITED

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

	Share capital £'000	Share premium account £'000	Profit and loss reserves £'000	Total controlling interest £'000	Non- controlling interest £'000	Total £'000
Balance at 1 January 2021	15	672	(29,770)	(29,083)	90	(28,993)
Year ended 31 December 2021:						
Loss for the year	-	-	(11,064)	(11,064)	27	(11,037)
Other comprehensive income net of taxation:						
Currency translation differences	-	-	(128)	(128)	-	(128)
Total comprehensive income for the year	-	-	(11,192)	(11,192)	27	(11,165)
Balance at 31 December 2021	15	672	(40,962)	(40,275)	117	(40,158)
Year ended 31 December 2022:						
Loss for the year	-	-	(5,734)	(5,734)	35	(5,699)
Other comprehensive income net of taxation:						
Currency translation differences	-	-	455	455	-	455
Total comprehensive income for the year	-	-	(5,279)	(5,279)	35	(5,244)
Balance at 31 December 2022	15	672	(46,241)	(45,554)	152	(45,402)

FUSION TOPCO LIMITED

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

	Share capital £'000	Share premium account £'000	Total £'000
Balance at 1 January 2021	15	672	687
Year ended 31 December 2021:			
Profit and total comprehensive income for the year	-	-	-
Balance at 31 December 2021	15	672	687
Year ended 31 December 2022:			
Profit and total comprehensive income for the year	-	-	-
Balance at 31 December 2022	15	672	687

FUSION TOPCO LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Cash generated from operations	28	5,720	2,080
Interest received		11	23
Income taxes paid		(231)	(839)
Net cash inflow from operating activities		5,500	1,264
Investing activities			
Purchase of intangible assets		(102)	-
Purchase of tangible fixed assets		(1,625)	(2,860)
Proceeds on disposal of tangible fixed assets		-	(2)
Net cash used in investing activities		(1,727)	(2,862)
Financing activities			
Interest paid		(1,249)	(1,221)
Proceeds on sale and leaseback arrangements		-	525
Repayment of bank loans		(1,025)	(829)
Repayment of derivatives		-	(110)
Payment of finance leases obligations		(143)	-
Net cash used in financing activities		(2,417)	(1,635)
Net increase/(decrease) in cash and cash equivalents		1,356	(3,233)
Cash and cash equivalents at beginning of year		4,747	7,975
Effect of foreign exchange rates		154	5
Cash and cash equivalents at end of year		6,257	4,747

FUSION TOPCO LIMITED

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

1 Accounting policies

Company information

Fusion Topco Limited ("the Company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is One Eleven, Edmund Street, Birmingham, West Midlands, B3 2HJ.

The Group consists of Fusion Topco Limited and all of its subsidiaries.

The Company's and the Group's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These Group and parent company financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the Group. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention except that the following assets and liabilities are stated at their fair value: derivative financial instruments, and financial instruments classified at fair value through profit or loss. The principal accounting policies adopted are set out below.

The Company is a qualifying entity for the purposes of FRS 102, being a member of a Group where the parent of that Group prepares publicly available consolidated financial statements, including this Company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The Company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2022. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries, are carried at cost less impairment.

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Business combinations are accounted for using the purchase method as at the acquisition date, which is that date on which control is transferred to the entity.

At the acquisition date, the Group recognises goodwill at the acquisition date as:

- The fair value of the consideration (excluding contingent consideration) transferred; plus
- Estimated amount of contingent consideration (see below); plus
- The fair value of the equity instruments issued; plus
- The net recognised amount (generally fair value) of the identifiable asset acquired and liabilities and contingent liabilities assumed.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount is treated as an adjustment to the cost of acquisition.

Going concern

Notwithstanding the Group's net liabilities of £45.4m at 31 December 2022, a Group loss before taxation for the year then ended of £4.7m and a Group loss after taxation for the year then ended of £5.7m, the financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

As the situation and uncertainty associated with the war in Ukraine continues to evolve, there remains the potential for the creation of additional future financial risk. In response to this and its impact on the Group and Company's ability to continue as a going concern, management have prepared several scenarios to model the potential impact on the Group for at least 12 months from the date of approval of these financial statements.

As part of the ongoing programme of ensuring the liquidity of the Group and Company, pre-emptive activities have been undertaken, including cost reductions and cash management programs to protect the business through this period. In addition to this, various growth activities have been undertaken to generate new income streams under the Value Growth road map programme. Initiatives include the development of Platform Access devices for the Oil and Renewables industry, Downhole centralisers made from recycled nylon, stock re-balancing in the manufacturing operations, financing of capital equipment and growth development in the US through our current distribution hub.

The Group has a £3.8m revolving credit facility which offers significant and additional capital for the business during these current uncertain times.

The directors have also prepared cash flow forecasts and covenant compliance forecasts for a period of at least 12 months from the date of approval for these financial statements ("the going concern period") which indicate, considering reasonably severe but plausible downsides, that the Group and Company will have sufficient funds to meet their liabilities as they fall due for the going concern period as well as meet the Group's covenants requirements.

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Net Debt levels, servicing costs, working capital and covenant requirements are closely monitored and managed in accordance with the Group's objectives, policies and processes, and these have been considered as a part of these forecasts. At 30 April 2023, the Group was financed by £7.6m cash (inc, £3.8m RCF), £16.2m of term loans and £66.2m of loan notes with related parties. There are financial covenants on the term loans. The principal amount of the Group external borrowings for loan A falls due on 30 June 2024 and loan B falls due on the 30 June 2025. The RCF is reviewed on an annual basis, however, the directors expect it to remain available until at least the end of the period covered by the cash flow forecasts. In the reasonably severe but plausible downside cash flow forecast scenario, the RCF is not required to meet the Group's liabilities as they fall due during the going concern period.

The Group has loan notes held by the shareholders of the Group. The loan notes are repayable in June 2028 or on an earlier sale of the business. It is common for private equity investors to advance capital to businesses with repayment usually delayed until the sale of the business. The interest on these loan notes rolls up into the amount owing.

Based on these indications the directors believe that it remains appropriate to prepare the Group's and Company's financial statements on a going concern basis.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from long term contracts is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is between 8-10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Intellectual property	10 years on a straight line basis
-----------------------	-----------------------------------

Tangible fixed assets

Tangible fixed assets are stated at cost/deemed cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Improvements to leasehold buildings	10% - 20% reducing balance
Plant and equipment	20% reducing balance
Motor vehicles	25% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits.

Assets under construction are depreciated from the date that they come into operational use.

Fixed asset investments

In the separate accounts of the Company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

At each reporting period end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in-first-out principle and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and vendor loan notes are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Group's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Group.

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries, that will be assessed to or allow for tax in a future period except where the Group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent Company enters into financial guarantee contract to guarantee the indebtedness of other companies within its Group, the Company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Own shares held by Employee Benefit Trust

Transactions of the Company-sponsored Employee Benefit Trust are treated as being those of the Company and are therefore reflected in the Company and Group financial statements. In particular, the trust's purchases and sales of shares in the Company are debited and credited directly to equity.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

Included within other operating income in the prior year shown in the consolidated statement of comprehensive income are amounts received from the UK Government in respect of the Coronavirus Job Retention Scheme (CJRS).

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the date of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

Exceptional costs

Exceptional costs are those costs, that are one off in nature, that are associated with restructuring the business, to enable growth, through both acquisition and organically. These costs include any acquisition related deal costs, costs of integrating any acquisitions into the wider business and costs to restructure the business as a result of the growth achieved.

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the statement of comprehensive income (see foreign currency accounting policy). Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date the Company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

2 Judgements and key sources of estimation uncertainty

In the application of the Group'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.

Judgements

The directors consider there to be no judgements which have a material impact on the financial statements.

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

2 Judgements and key sources of estimation uncertainty (Continued)

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.

Taxation

Deferred tax assets and liabilities are determined based on temporary differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are also provided for the future tax benefit of existing net operating losses and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be in effect in the years in which those temporary differences are expected to be recovered or settled. While management believes that its judgements and estimations regarding deferred tax assets and liabilities are appropriate, significant differences in actual experience may materially affect the Group's future financial results. Details of the carrying value of deferred tax assets and liabilities is set out at note 24.

Carrying value of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the asset or cash generating units to which they have been allocated or belong. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the asset or cash generating unit and a suitable discount rate in order to calculate present value. The life of the goodwill is linked to the loan notes financing the Group. Details of the carrying value of goodwill is set out at note 12.

3 Turnover and other revenue

	2022 £'000	2021 £'000
Turnover analysed by class of business		
Sale of goods	63,090	45,770
	<u>63,090</u>	<u>45,770</u>
	2022 £'000	2021 £'000
Turnover analysed by geographical market		
United Kingdom	15,844	11,368
North America	1,251	1,903
Europe	14,863	11,911
Asia	22,378	15,388
Rest of world	8,754	5,200
	<u>63,090</u>	<u>45,770</u>

The directors have not provided an analysis of turnover by activity as it is considered to be commercially sensitive information.

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

4 Exceptional items

	2022 £000	2021 £000
Exceptional costs:		
Restructural investment	192	291
Legal fees	39	21
Restructuring costs	241	364
HSE Incident provision (note 23)	400	-
Legal and professional fees associated with financing	84	-
Dilapidation provision	50	-
Total	1,006	676

For the year ended 31 December 2022:

Restructural investment

One-off costs associated with the development of the Engineered Products Division and Group reporting.

Legal fees

Fees associated with HSE support at Viva Nylons Limited.

Restructuring costs

Costs associated with creation of a senior management team within the Engineered Products Division.

HSE Incident provision

Provision in respect of HSE incident during a previous period at Viva Nylons Limited.

Legal and professional fees associated with financing

Costs in respect of financing arrangements.

Dilapidation provision

Provision for outstanding rental payments and dilapidations following Group reorganisation.

For the year ended 31 December 2021:

Restructural investment

One-off costs associated with the development of the Engineering and Automotive Group reporting following the legal separation in January 2020.

Legal fees

Fees associated with HSE support at Viva Nylons Limited.

Restructuring costs

Costs associated with the move of the Super Grip (UK) Limited production capability to our facility in Leicester, and the restructure of our Automotive and Viva businesses.

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

5 Employees

The average monthly number of persons (including directors) employed during the year was:

	Group 2022 Number	2021 Number	Company 2022 Number	2021 Number
Directors	4	4	-	-
Administration and sales	92	147	-	-
Production	467	392	-	-
Total	563	543	-	-

Their aggregate remuneration comprised:

	Group 2022 £'000	2021 £'000	Company 2022 £'000	2021 £'000
Wages and salaries	15,746	13,115	-	-
Social security costs	1,652	1,187	-	-
Pension costs	653	489	-	-
	18,051	14,791	-	-

6 Directors' remuneration

	2022 £'000	2021 £'000
Remuneration for qualifying services	251	248
Company pension contributions to defined contribution schemes	116	104
Sums paid to third parties for directors' services	72	72
	439	424

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2021 - 1).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2022 £'000	2021 £'000
Remuneration for qualifying services	225	222
Company pension contributions to defined contribution schemes	116	104

The directors represent the key management personnel of the group.

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

7 Operating profit/(loss)

	2022 £'000	2021 £'000
Operating profit/(loss) for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(319)	19
Research and development costs	125	160
Government grants	-	(99)
Depreciation of owned tangible fixed assets	2,820	2,829
Depreciation of tangible fixed assets held under finance leases	162	36
Impairment of owned tangible fixed assets	43	-
Loss on disposal of tangible fixed assets	105	2
Amortisation of intangible assets	5,232	5,237
Operating lease charges	1,370	1,188

Included within operating profit is £Nil (2021 - £99,000) received from the UK Government in respect of the Coronavirus Job Retention Scheme (CJRS) which was utilised by the group during the prior year as a result of the Covid-19 pandemic.

8 Auditor's remuneration

	2022 £'000	2021 £'000
Fees payable to the Company's auditor and associates:		
For audit services		
Audit of the financial statements of the Group and Company	97	181
For other services		
Taxation compliance services	-	24

The audit fees are borne by Nylacast Engineered Products Limited.

9 Interest receivable and similar income

	2022 £'000	2021 £'000
Interest income		
Interest on bank deposits	11	4
Other interest income	-	19
Total income	11	23

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

10 Interest payable and similar expenses

	2022	2021
	£'000	£'000
Interest on bank overdrafts and loans	1,393	1,274
Interest on loan notes	5,890	5,890
Other interest on financial liabilities	43	-
Interest on finance leases and hire purchase contracts	8	5
	<u>7,334</u>	<u>7,169</u>
Total finance costs	<u>7,334</u>	<u>7,169</u>

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

11 Taxation

	2022 £'000	2021 £'000
Current tax		
Adjustments in respect of prior periods	30	(108)
Foreign current tax on profits for the current period	1,035	489
Total current tax	1,065	381
Deferred tax		
Origination and reversal of timing differences	(15)	(421)
Changes in tax rates	(62)	291
Adjustment in respect of prior periods	(50)	130
Total deferred tax	(127)	-
Total tax charge	938	381

The total tax charge for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2022 £'000	2021 £'000
Loss before taxation	(4,761)	(10,656)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(905)	(2,025)
Tax effect of expenses that are not deductible in determining taxable profit	1,604	1,079
Adjustments in respect of prior years	30	(108)
Impact of overseas tax rates	225	148
Amortisation on assets not qualifying for tax allowances	994	995
Fixed asset differences	(11)	9
Other permanent differences	(3)	(3)
Deferred tax adjustments in respect of prior years	(50)	130
Deferred tax adjustments to average rate	(62)	218
Deferred tax not recognised	(888)	(69)
Chargeable gains	-	4
Other short term timing differences	7	3
Other tax adjustments, reliefs and transfers	(3)	-
Taxation charge	938	381

In the budget on 3 March 2021, the UK Government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 2021. Deferred tax has been calculated at 25% which was the tax rate substantively enacted at 31 December 2022.

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

12 Intangible fixed assets

Group	Goodwill £'000	Intellectual property £'000	Total £'000
Cost			
At 1 January 2022	50,922	-	50,922
Additions	-	102	102
Disposals	(25)	-	(25)
At 31 December 2022	50,897	102	50,999
Amortisation and impairment			
At 1 January 2022	17,223	-	17,223
Amortisation charged for the year	5,232	-	5,232
Disposals	(25)	-	(25)
At 31 December 2022	22,430	-	22,430
Carrying amount			
At 31 December 2022	28,467	102	28,569
At 31 December 2021	33,699	-	33,699

The Company had no intangible fixed assets at 31 December 2022 or 31 December 2021.

The amortisation charge for the year is recognised within administrative expenses in the consolidated statement of comprehensive income.

There are no contractual commitments to acquire intangible assets.

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

13 Tangible fixed assets

Group	Improvements to leasehold buildings	Assets under construction	Plant and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2022	1,493	1,016	20,094	164	22,767
Additions	-	1,515	97	13	1,625
Disposals	-	-	(608)	(1)	(609)
Transfers	73	(1,284)	1,211	-	-
Exchange adjustments	-	7	155	-	162
At 31 December 2022	1,566	1,254	20,949	176	23,945
Depreciation and impairment					
At 1 January 2022	479	26	8,797	75	9,377
Depreciation charged in the year	198	-	2,777	7	2,982
Impairment losses	43	-	-	-	43
Eliminated in respect of disposals	-	-	(502)	(1)	(503)
Exchange adjustments	-	-	(37)	-	(37)
At 31 December 2022	720	26	11,035	81	11,862
Carrying amount					
At 31 December 2022	846	1,228	9,914	95	12,083
At 31 December 2021	1,014	990	11,297	89	13,390

The Company had no tangible fixed assets at 31 December 2022 or 31 December 2021.

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

	Group 2022 £'000	2021 £'000	Company 2022 £'000	2021 £'000
Plant and equipment	416	574	-	-

14 Fixed asset investments

	Group 2022 £'000	2021 £'000	Company 2022 £'000	2021 £'000
Investments in subsidiaries	15	-	-	-
	-	-	-	-

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

15 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Registered office (note)	Nature of business	Class of shares held	% Held	
				Direct	Indirect
<i>Fusion Finco Limited</i>	1	<i>Holding company</i>	<i>Ordinary</i>	100.00	-
<i>Fusion Midco Limited</i>	1	<i>Holding company</i>	<i>Ordinary</i>	-	100.00
<i>Fusion Bidco Limited</i>	1	<i>Holding company</i>	<i>Ordinary</i>	-	100.00
<i>Nylacast Holdings Limited</i>	1	<i>Holding company</i>	<i>Ordinary</i>	-	100.00
<i>Nylacast Limited</i>	1	<i>Manufacturing</i>	<i>Ordinary</i>	-	100.00
<i>Nylacast (Trustees) Limited</i>	1	<i>Non-trading</i>	<i>Ordinary</i>	-	100.00
<i>Nylacast Overseas Holdings Limited</i>	1	<i>Holding company</i>	<i>Ordinary</i>	-	100.00
<i>Nylacast Nylontechnics Limited</i>	1	<i>Dormant</i>	<i>Ordinary</i>	-	100.00
<i>Nylacast Oilon Limited</i>	1	<i>Dormant</i>	<i>Ordinary</i>	-	100.00
<i>Nylacast Technology Limited</i>	1	<i>Dormant</i>	<i>Ordinary</i>	-	100.00
<i>Nylacast Engineered Products Limited</i>	1	<i>Manufacturing</i>	<i>Ordinary</i>	-	100.00
<i>Nylacast USA Inc</i>	2	<i>Holding company</i>	<i>Ordinary</i>	-	100.00
<i>Nylacast LLC</i>	2	<i>Distributor</i>	<i>Ordinary</i>	-	100.00
<i>Nylacast Engineering Plastics (Changshu) Co. Ltd</i>	4	<i>Manufacturing</i>	<i>Ordinary</i>	-	100.00
<i>Nylacast SA (Proprietary) Limited</i>	3	<i>Manufacturing</i>	<i>Ordinary</i>	-	84.00
<i>Viva Nylons Limited</i>	1	<i>Manufacturing</i>	<i>Ordinary</i>	-	100.00
<i>Super Grip (UK) Limited</i>	1	<i>Dormant</i>	<i>Ordinary</i>	-	100.00
<i>MPC (Engineering) Limited</i>	1	<i>Manufacturing</i>	<i>Ordinary</i>	-	100.00
<i>Nylacast Nylonchem Limited</i>	1	<i>Dormant</i>	<i>Ordinary</i>	-	100.00
<i>Nylacast GmbH</i>	5	<i>Non- trading</i>	<i>Ordinary</i>	-	100.00

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

15 Subsidiaries (Continued)

1. One Eleven, Edmund Street, Birmingham, B3 2HJ
2. 6951 Allentown Blvd. Suite K, Harrisburg, Pennsylvania, PA 17112
3. P O Box 30445, Jet Park, Johannesburg
4. 10 Workshop, Maqiao Industrial Park, Maqiao Road, Changshu Economic and Technological Development Zone, Jiangsu
5. Theresienhöhe 30, c/o Blitzstart Services GmbH, 80339 München

On 31 December 2022, Super Grip (UK) Limited transferred their trade and assets into Nylacast Engineered Products Limited. Following this date, the principal activity of Super Grip (UK) Limited was that of a dormant company.

Nylacast (Shanghai) Trading Co. Limited, a dormant company, was dissolved during the year, for £Nil consideration.

Viva Nylons Limited (Registered No. 08814278), Super Grip (UK) Limited (Registered No. 03930413), MPC (Engineering) Limited (Registered No. 05113442), Fusion Finco Limited (Registered No. 11434220), Fusion Midco Limited (Registered No. 11434245), Fusion Bidco Limited (Registered No. 11434275), Nylacast Holdings Limited (Registered No. 05994595), Nylacast (Trustees) Limited (Registered No. 06036123) and Nylacast Overseas Holdings Limited (Registered No. 05995374) incorporated in England and Wales have taken exemption in section 479A of the Companies Act 2006 (the "Act") from the requirement in the Act for their individual accounts to be audited.

In order for these companies to take the audit exemption in Section 479A of the Companies Act 2006, Fusion Topco Limited the ultimate parent company has guaranteed all outstanding liabilities of those subsidiary companies at 31 December 2022 until those liabilities are satisfied in full.

16 Stocks

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Raw materials and consumables	3,066	2,495	-	-
Work in progress	1,083	229	-	-
Finished goods and goods for resale	2,639	2,156	-	-
	<u>6,788</u>	<u>4,880</u>	<u>-</u>	<u>-</u>

The write down of stocks to net realisable value amounted to £43,000 (2021: £43,000). The write downs are included in cost of sales.

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

17 Debtors

	Group 2022 £'000	2021 £'000	Company 2022 £'000	2021 £'000
Amounts falling due within one year:				
Trade debtors	14,160	9,444	-	-
Corporation tax recoverable	-	29	-	-
Other debtors	236	143	-	-
Prepayments and accrued income	1,707	1,281	-	-
	<u>16,103</u>	<u>10,897</u>	<u>-</u>	<u>-</u>
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	-	687	687
	<u>-</u>	<u>-</u>	<u>687</u>	<u>687</u>
Total debtors	<u>16,103</u>	<u>10,897</u>	<u>687</u>	<u>687</u>

Amounts showing as owed by Group undertakings are repayable on demand, but are shown as greater than one year as there is no intent to recall within 12 months.

18 Creditors: amounts falling due within one year

	Notes	Group 2022 £'000	2021 £'000	Company 2022 £'000	2021 £'000
Bank loans	20	4,925	4,825	-	-
Obligations under finance leases	21	152	152	-	-
Trade creditors		4,433	3,676	-	-
Corporation tax payable		678	-	-	-
Other taxation and social security		31	-	-	-
Other creditors		682	1,674	-	-
Accruals and deferred income		3,720	2,129	-	-
		<u>14,621</u>	<u>12,456</u>	<u>-</u>	<u>-</u>

19 Creditors: amounts falling due after more than one year

	Notes	Group 2022 £'000	2021 £'000	Company 2022 £'000	2021 £'000
Vendor loan notes	22	66,190	66,190	-	-
Bank loans	20	14,667	15,598	-	-
Obligations under finance leases	21	230	373	-	-
Accruals and deferred income		19,044	13,154	-	-
		<u>100,131</u>	<u>95,315</u>	<u>-</u>	<u>-</u>

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

20 Borrowings

	Group 2022 £'000	2021 £'000	Company 2022 £'000	2021 £'000
Bank loans	19,592	20,423	-	-
Payable within one year	4,925	4,825	-	-
Payable after one year	14,667	15,598	-	-

The bank loans and loan notes are fully secured by a fixed and floating charge over the property and other assets of the Group.

Terms and debt repayment schedule

Group	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2022 £000	2021 £000
HSBC term A loan facility	GBP	RFR+3.25%	2024	Bi-annually	1,689	2,577
HSBC term B loan facility	GBP	RFR+3.75%	2025	On maturity	14,103	14,046
RCF Loan	GBP	RFR+4.25%			3,800	3,800
					<u>19,592</u>	<u>20,423</u>

The repayment of the Revolving Credit Facility ("RCF") loan is at the discretion of management, and is reviewed on an annual basis.

The financial covenants attached to term loan A and B were tested during the year with no breaches identified. In December 2020, the covenant facilities were reset by the bank. Compliance with the reset covenants in respect of the external bank debt has been assessed to December 2022 with no breaches forecast.

The group also have available to them a revolving credit facility of £4,000,000. At 31 December 2022, £3,800,000 (2021: £3,800,000) of this facility had been drawn down.

21 Finance lease obligations

	Group 2022 £'000	2021 £'000	Company 2022 £'000	2021 £'000
Future minimum lease payments due under finance leases:				
Less than one year	152	152	-	-
Between one and five years	230	373	-	-
	<u>382</u>	<u>525</u>	<u>-</u>	<u>-</u>

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

21 Finance lease obligations (Continued)

Finance lease payments represent rentals payable by the Group for certain items of plant and machinery. Obligations under finance leases and hire purchase contracts are secured on the assets concerned. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 4 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

22 Interest bearing loans and borrowings

	Group 2022 £'000	2021 £'000	Company 2022 £'000	2021 £'000
Unsecured vendor loan notes	66,190	66,190	-	-

The loan notes are fully secured by a fixed and floating charge over the property and other assets of the Group.

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2022 £000	2021 £000
Unsecured vendor loan notes	GBP	10%	2028	On maturity	66,190	66,190

The unsecured vendor loan notes are listed on The International Stock Exchange.

At 31 December 2022, accruals and deferred income shown as greater than one year related to accrued interest of £19,044,000 (2021: £13,154,000) on the unsecured vendor loan notes.

Debt issue costs of £1,363,000 were capitalised in a previous period and off-set against the bank loan in the financial statements. In the current year £63,000 (2021: £63,000) of these fees have been amortised in the year. In the amount owed at 31 December 2022 is accrued interest of £5,890,000 (2021: £5,890,000) in relation to the unsecured vendor loan notes for the year ended 31 December 2022. The effective interest rate was recalculated at 31 December 2022 resulting in a charge to profit and loss of £649,000 (2021: £517,000).

23 Provisions for liabilities

	Group 2022 £'000	2021 £'000	Company 2022 £'000	2021 £'000
Onerous lease	50	-	-	-
HSE provision	400	-	-	-
	450	-	-	-

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

23 Provisions for liabilities (Continued)

Movements on provisions:

Group	Onerous lease £'000	HSE provision £'000	Total £'000
Additional provisions in the year	50	400	450

The onerous lease provision relates to outstanding rental payments and dilapidations following a Group reorganisation to transfer the trade and assets between two Group subsidiary undertakings.

The HSE provision relates to an HSE incident at Viva Nylons Limited.

24 Deferred taxation

The major deferred tax liabilities and assets recognised by the group and company are:

Group	Liabilities/ (assets) 2022 £'000	Liabilities/ (assets) 2021 £'000
Accelerated capital allowances	153	704
Unused tax losses	(140)	(562)
Short term timing differences	(13)	(142)
	-	-

The company has no deferred tax assets or liabilities.

There were no deferred tax movements in the year.

At 31 December 2022, the Group has an unrecognised deferred tax asset amounting to £1,282,000 (2021: £1,585,000) relating to tax losses carried forward within certain of the Group's subsidiary undertakings that are not expected to be utilised in the foreseeable future.

25 Retirement benefit schemes

Defined contribution schemes	2022 £'000	2021 £'000
Charge to profit or loss in respect of defined contribution schemes	653	489

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Contributions totalling £73,000 (2021: £67,000) were payable to the fund at the year end and are included in creditors.

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

26 Share capital

	Group and Company			
	2022 Number	2021 Number	2022 £'000	2021 £'000
Ordinary share capital				
Issued and fully paid				
A Ordinary shares of 1p each	800,000	800,000	8	8
B1 Ordinary shares of 10p each	60,000	60,000	6	6
B2 Ordinary shares of 1p each	115,000	115,000	1	1
	<u>975,000</u>	<u>975,000</u>	<u>15</u>	<u>15</u>

'A' Ordinary shares are entitled to the balance of the votes not attributable to the 'B1' Ordinary shares. 'A' Ordinary shares rank pari passu in respect of dividends and capital distribution rights.

'B1' Ordinary shares are entitled to 5% of the total votes, up to a maximum of 4 shareholders.

'B2' Ordinary shares have no voting rights.

'B1' and 'B2' Ordinary shares rank pari passu economic rights up until the point whereby Equistone reach a return above 2.5x money multiple and 35% IRR after which B1 and B2 shareholders will receive an additional 7.5% return from Equistone.

27 Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Profit and loss reserves

Profit and loss reserve comprises of cumulative profit and loss net of distribution to owners.

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

28 Cash generated from group operations

	2022 £'000	2021 £'000
Loss for the year after tax	(5,699)	(11,037)
Adjustments for:		
Taxation charged	938	381
Finance costs	7,334	7,169
Interest receivable	(11)	(23)
Loss on disposal of tangible fixed assets	105	2
Amortisation and impairment of intangible assets	5,232	5,237
Depreciation and impairment of tangible fixed assets	3,025	2,865
Exchange differences	102	(235)
Increase in provisions	450	-
Movements in working capital:		
(Increase) in stocks	(1,908)	(768)
(Increase) in debtors	(5,235)	(849)
Increase/(decrease) in creditors	1,387	(662)
Cash generated from operations	5,720	2,080

29 Analysis of changes in net debt - group

	1 January 2022 £'000	Cash flows £'000	Non-cash movements £'000	Exchange rate movements £'000	31 December 2022 £'000
Cash at bank and in hand	4,747	1,356	-	154	6,257
Borrowings excluding overdrafts	(20,423)	1,025	(194)	-	(19,592)
Obligations under finance leases	(525)	143	-	-	(382)
Convertible loan notes	(66,190)	-	-	-	(66,190)
	<u>(82,391)</u>	<u>2,524</u>	<u>(194)</u>	<u>154</u>	<u>(79,907)</u>

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

30 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2022 £'000	2021 £'000	Company 2022 £'000	2021 £'000
Within one year	1,223	1,215	-	-
Between one and five years	4,350	3,291	-	-
In over five years	7,252	8,359	-	-
	<u>12,825</u>	<u>12,865</u>	<u>-</u>	<u>-</u>

31 Capital commitments

	Group 2022 £'000	2021 £'000	Company 2022 £'000	2021 £'000
Acquisition of tangible fixed assets	<u>521</u>	<u>341</u>	<u>-</u>	<u>-</u>

Nylacast Limited, Nylacast Engineering Plastics (Changshu) Co. Ltd and Viva Nylons Limited are contracted to purchase machinery and test rigging totalling £521,000 which will be completed in 2023.

32 Related party transactions

Transactions with related parties

During the year payments were made of £72,000 (2021: £72,000) to Strahlenburg Management Ltd, owned by Mr PJ Williamson, a director of Fusion Topco Limited, for consultancy services to Nylacast Engineered Products Limited, a subsidiary undertaking.

Included within creditors are loan notes amounting to £9,346,000 (2021: £9,346,000) and accrued interest of £4,135,000 (2021: £3,200,000) held by directors and key management personnel.

During the year the Group made a £2,500 (2021: £nil) payment for subscription to Leicester Cares. This is a local Charity that Mr M Mahomed is a Director of.

Transactions with those with significant influence

Included within creditors are loan notes amounting to £56,844,000 (2021: £56,844,000) and accrued interest of £14,909,000 (2021: £9,954,000) held by entities with control over the group.

The Company has elected not to disclose related party transactions with wholly owned group companies as permitted under FRS 102.

33 Controlling party

The ultimate controlling party of the Group is Equistone Partners Europe Fund VI "B" SCSP.

FUSION TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

34 Events after the reporting period

In February 2023 Nylacast Limited announced to the workforce that due to current Economic conditions in the UK, that the main line production at its UK facility would cease. Restructuring costs associated with this will be taken into 2023. The restructuring project remains underway, and the overall cost is not known at this stage.