

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark one)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **January 31, 2023**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-15535

LAKELAND INDUSTRIES, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or
Organization)

13-3115216

(I.R.S. Employer Identification No.)

1525 Perimeter Parkway, Suite 325 Huntsville, AL

(Address of Principal Executive Offices)

35806

(Zip Code)

(Registrant's telephone number, including area code) (256) 350-3873

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	LAKE	NASDAQ

Securities registered pursuant to Section 12(g) of the Act:
Not Applicable

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a nonaccelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Nonaccelerated filer	☐	Smaller reporting company	☒
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ No ☒

The aggregate market value of voting stock held by non-affiliates as of July 31, 2022 was approximately \$102.1 million. As of April 10, 2023, there were outstanding 7,325,005 shares of common stock, \$0.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

LAKELAND INDUSTRIES, INC.
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This Annual Report on Form 10-K contains forward-looking statements that are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks, uncertainties and assumptions as described from time to time in registration statements, annual reports and other periodic reports and filings of the Company filed with the Securities and Exchange Commission. All statements, other than statements of historical facts, which address the Company’s expectations of sources of capital or which express the Company’s expectation for the future with respect to financial performance or operating strategies, can be identified as forward-looking statements. As a result, there can be no assurance that the Company’s future results will not be materially different from those described herein as “believed,” “anticipated,” “estimated,” “expected,” “may,” “will” or “should” or other similar words which reflect the current views of the Company with respect to future events. We caution readers that these forward-looking statements speak only as of the date hereof. The Company hereby expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any such statements to reflect any change in the Company’s expectations or any change in events, conditions or circumstances on which such statement is based.

PART I

Lakeland Industries, Inc. (the “Company” or “Lakeland,” “we,” “our,” or “us”) was incorporated in the State of Delaware in 1986. Our executive office is located at 1525 Perimeter Parkway, Suite 325, Huntsville, AL 35806, and our telephone number is (256) 350-3873. Our website is located at www.lakeland.com. Information contained on our website is not part of this report.

ITEM 1. BUSINESS

Overview

We manufacture and sell a comprehensive line of protective clothing and accessories for the industrial and public protective clothing market. All Lakeland products either protect the wearer from something in their environment or protect a product or process from the wearer. Our products must meet minimum performance requirements defined by industry best practice, and/or international or local standards.

Our products are sold globally by our in-house sales teams, our customer service group, and authorized independent sales representatives to a global network of over 1,600 safety and industrial supply distributors. Our authorized distributors supply end users, such as integrated oil, chemical/petrochemical, automobile, transportation, steel, glass, construction, smelting, heavy and light industry, cleanroom, janitorial, pharmaceutical, and high technology electronics manufacturers, as well as scientific, medical laboratories and the utilities industries (electrical, natural gas, and water). In addition, we supply federal, state and local governmental agencies and departments, such as fire and law enforcement, airport crash rescue units, the Department of Defense, the Department of Homeland Security and the U.S. Food and Drug Administration. Internationally, we sell to a mixture of end users directly, and to industrial distributors depending on the particular country and market. Sales are made into more than 50 foreign countries, the majority of which are into China, countries within the European Economic Community (“EEC”), Canada, Chile, Argentina, Russia, Kazakhstan, Colombia, Mexico, Ecuador, India, Middle East and countries within Southeast Asia.

The Company has seven revenue generating reportable geographic segments under ASC Topic 280 “Segment Reporting”: USA Operations, Other Foreign, Europe (UK), Mexico, Asia, Canada, and Latin America.

Lakeland regards owning and operating its own manufacturing facilities as a sustainable strategic advantage. We believe that ownership of manufacturing is the keystone to building a resilient supply chain. Having five manufacturing locations in five countries, coupled with sourcing core raw materials from multiple suppliers in various countries, affords Lakeland with manufacturing capabilities and supply chain resilience that cannot be matched by our competitors who use contractors. Owning our manufacturing provides us with the ability to rapidly scale up production to meet emergency demand; shift production between locations in response to geopolitical threats to take advantage of new trade agreements or avoid complications that may arise from trade disputes; and to maintain the highest levels of product quality.

On December 2, 2022, we acquired UK-based Eagle Technical Products Limited (“Eagle”). Eagle is a leading designer and provider of protective apparel to the fire and industrial sectors. Eagle provides differentiated product offerings through its innovative and technical solutions. The acquisition enhances our product portfolio, particularly within fire service protective clothing, and expands our sales presence in the Middle East and Europe.

For purposes of this Form 10-K, (a) FY refers to a fiscal year ended January 31; for example, FY23 refers to the fiscal year ended January 31, 2023 and (b) Q refers to a quarter, for example Q4 FY 23 refers to the fourth quarter of the fiscal year ended January 31, 2023.

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Business Strategy

Key elements of our strategy include:

- **Improve Sales & Marketing in Existing Markets:** We believe that we have continued opportunities to increase market penetration and improve margins in existing markets by our sales and marketing focus on vertical markets. The four vertical markets that we are focusing on are our core industrial (e.g. oil & petrochemicals, manufacturing, and auto) markets, the fire services market, the utilities (e.g. electrical, gas, and water) market, and critical environments (clean rooms) markets. Our focus on verticals allows our sales and marketing groups to better provide the expertise in specific applications relative to our products that our customers are seeking. The result is an improved ability to focus on specific products and sell multiple product lines to the same accounts affording us the opportunity to bundle products to secure business.

We have integrated the U.S., Canadian, and Mexican sales teams into one coordinated unit, a strategic recognition that the three countries are increasingly part of a great North American market with inter-related industries and companies throughout, and our sales teams are sharing opportunities with each other. We have experienced situations in which we could not break through with a company in one country, but the team in another country was able to make a conversion to our products. Then, after successful use of our products in one country, the doors open to us in the other. We have installed Salesforce CRM software to facilitate this strategy globally.

We continue to pursue conversion of end users to our core disposable and chemical products, based on our overall performance and prices, however we are working hard to provide our sales teams with the tools needed to increase sales of higher value product lines, specifically fire service, critical environment, and performance wear (utilities). Our marketing is being significantly upgraded in terms of resources, better sales collateral materials, and increasingly effective use of social media. The Company plans to continue its efforts to align its global markets in terms of sales collateral, sales software, and e-commerce in the coming year and into the future.

- **Introduce New Products:** We continued our history of product development and innovation by introducing new proprietary products across all our product lines. Through our acquisition of Eagle Technical Products, we are now offering CE (European standard) firefighting turnout gear in markets outside of North America where NFPA-certified ensembles are being challenged by lighter-weight CE turnout gear. Also, Eagle has brought us an innovative luminescent trim for our turnout gear that is not dependent on retro-reflective technology to make firefighters more visible in low light. .

Additionally, we recently received CE certification (European) for a new powered air-purifying respirator (“PAPR”) suit. This product is currently approved for use with a specific powered air-purifying respirator; however, the technology developed to attain certification of this product is applicable to other “PAPRs” and will allow us to develop additional PAPR suits approved for use with other brands and models.

We have continued to develop our CleanMax line of clean and sterile manufactured garments for use in critical and aseptic work environments by adding a new product targeting the rapidly growing, regulated cannabis market (CBD oils, etc.). We also continued developing and introducing our High Performance wear line targeting electrical and gas distribution with a complete layering system designed to improve worker comfort and be worn away from as well as to work. We continue ramping up manufacturing and adding products to both of these lines.

We own 20 patents on fabrics and production machinery, with one application in process, and continue to work on developing fabrics that could potentially lead us into new markets and channels. In North America, our growth strategy is to focus on key target sectors where we have advantages, and to increase our involvement at the end user level by adding sales personnel and enhancing our marketing and product training tools to make it easier for the sales teams of our distributors to be successful promoting our products.

- **Increased Focus on Fire Service:** We believe a global trend, outside of North America, towards CE certified products, and the complexity of supply chain management and manufacturing make the global fire service market a place where we can leverage our certification and product knowledge to aid our customers in understanding the differences between these competing standards and to utilize our broad manufacturing base and supply chain/vendor relationships to provide reduced lead-times and superior products for our customers.

The addition of Eagle’s products into our global sales channels, coupled with bringing the manufacture of Eagle products “in house” provides us immediate sales opportunities in all markets outside of North America. With Eagle’s CE products, Lakeland will be one of very few manufacturers of Fire Service gear to offer complete lines of both NFPA and CE certified products.

Integration of Eagle onto the Lakeland platform has already begun. Eagle is currently offering Lakeland products, chemical suits, and NFPA certified turnout gear, into their existing markets and Lakeland has already begun selling Eagle hoods and CE certified products into our existing markets in Asia, South America, and Europe. Eagle products are currently produced at several contract manufacturers, but manufacturing will eventually be brought “in house” as contractual obligations with existing customers are fulfilled and new business is bid specifying Lakeland manufacturing.

This strategy is consistent with all of the three previously discussed key elements of our “Business Strategy”

- **Continued Emphasis on Customer Service.** We continue to offer a high level of customer service to distinguish our products and to create customer loyalty. The extension of common technology and information systems beyond the United States and Canada to all Lakeland subsidiaries will provide us with the necessary business intelligence to better anticipate customer demand and improve our planning and customer service. We offer well-trained and experienced

sales and support personnel, on-time delivery and accommodation of custom and rush orders. We also seek to advertise our Lakeland branded tradenames and trademarks.

Continued Development of Manufacturing Capability: It is critical that we increase our manufacturing capacity to meet our sales growth targets. We currently operate five manufacturing facilities in five countries, affording us a unique capability to take advantage of various trade agreements and to adjust our manufacturing as those agreements change. Lakeland is also committed to manufacturing R&D and invests in new equipment to improve efficiencies, improve quality, and maximize manufacturing flexibility.

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Decrease Manufacturing Expenses by Opening New Manufacturing Facilities: We have successfully opened new manufacturing facilities in Vietnam and India to hedge against ever increasing manufacturing costs in China. We will open a new facility in Monterrey, Mexico in FY24. Our China operation will continue for the foreseeable future to service products that are more complex and higher margin and for the manufacture of products for sale into China. Manufacturing expansion is not only necessary to control rising costs, but also for Lakeland to achieve its growth objectives.

We continue to diversify our raw material and component suppliers, qualifying multiple suppliers whenever possible to enable us to press for price reductions and better payment terms, as well as providing for continuity of supply.

We are sourcing raw materials and components from most of the countries in which we have operations in order to reduce freight costs and inventory levels.

We are re-engineering many products to reduce the amount of raw materials used and reduce the direct labor required as well as harmonizing designs to meet the requirements of multiple global markets. The result is improved manufacturing throughput.

Products

The following is a description of our core product offerings:

Firefighting and Heat Protective Apparel

We manufacture an extensive line of UL certified, NFPA compliant, structural firefighter protective apparel (turnout gear) for domestic and foreign fire departments. Our turnout gear is available both in standard stock patterns and custom configurations.

We offer basic firefighter turnout gear in the Attack (A10) and Battalion (B1) styles. Introduced in 2013 are the Battalion ("B2") style with advanced ergonomic features and the Stealth style, with innovative features new to the fire industry.

We also manufacture each of the above styles in our UL certified, NFPA compliant, Proximity line for Aircraft Rescue Fire Fighting ("ARFF") with aluminized shells.

We manufacture full lines of Fire service extrication suits in FR cotton, UL certified, NFPA compliant Wildland firefighting apparel in multiple fabrics and Aluminized Kiln entry/Approach suits to protect industrial workers from extreme heat encountered in foundry's, boiler rooms, and direct fired ovens.

We manufacture fire suits (turnout gear) at our facilities in China and Mexico. Our Lakeland Fire® brand of firefighting apparel continues to benefit from ongoing research and development investment, as we seek to address the ergonomic needs of stressful occupations.

High-End Chemical Protective Suits

We manufacture and sell heavy duty chemical protective suits and protective apparel from our proprietary CRFR, ChemMax® 3, 4, Interceptor and other fabrics. These suits are worn by individuals on hazardous material teams and within general industry to provide protection from powerful, highly concentrated, toxic and/or potentially lethal chemicals and biological toxins. These suits are useful against toxic wastes at Superfund sites, toxic chemical spills or biological discharges, chemical or biological warfare weapons (such as sarin, anthrax or ricin and mustard gas) and chemicals and petro-chemicals present during the cleaning of refineries and nuclear facilities, and volatile organic compounds (VOCs) in industrial applications, and protection from infectious diseases such as Avian Flu and Ebola.

We believe that we offer the most complete and cost-effective line of chemical protective garments available on the market today. Garments are certified to both NFPA, CE, ISO, as well as other international standards allowing us to offer products composed of these fabrics all over the world.

Our ChemMAX 3, 4 and Interceptor fabrics are supported by PermaSure®, an app based chemical database and permeation modeler that allows our customers to quickly determine the safe use time for supported Lakeland garments, under specific environmental conditions for over 4,000 chemicals. This powerful tool allows Lakeland customers to safely minimize the chemical protective clothing cost by not having to default to the most protective garments available because chemical data is not available, or because there is not time to consult with the manufacturer. PermaSure can be used to model response scenarios so that contingency plans for response can be put in place.

Limited Use/Disposable Protective Clothing

We manufacture a complete line of limited use/disposable protective garments, including coveralls, laboratory coats, shirts, pants, hoods, aprons, sleeves, arm guards, caps and smocks. Limited use garments can also be coated or laminated to increase splash protection against harmful inorganic acids, bases and other hazardous liquid and dry chemicals. Limited use garments are made from several different nonwoven fabrics. We use spunbonded polypropylene (SBPP), spunbonded meltblow spunbond (SMS), hydroentangled woodpulp/polyester, and needlepunched fabrics. These fabrics can be used alone or in combination with films of varying composition, and/or topical chemical treatments to make our own trademarked fabrics, like Pyrolon® Plus 2, XT, CRFR, CBFR MicroMax®, MicroMax NS, CleanMax, Safegard®, Zoneguard®, and ChemMax® 1, 2, 3, and 4, as well as our patented Interceptor fabric. We incorporate many sewing, heat sealing and taping techniques depending on the level of protection needed in the end use application.

Typical users of these garments include integrated oil/petrochemical refineries, chemical plants, automotive manufacturers, pharmaceutical companies, construction companies, coal, gas and oil power generation utilities and telephone utility companies, laboratories, mortuaries and governmental entities. Numerous smaller industries use these garments for specific safety applications unique to their businesses. Additional applications include protection from viruses and bacteria, such as Ebola, AIDS, streptococcus, SARS, hepatitis, and COVID-19 at medical facilities, laboratories, and emergency rescue sites. Clean manufactured and sterilized versions of our MicroMAX NS product, trademarked CleanMax, is used in aseptic laboratories to protect both the wearer and the product from cross contamination.

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Durable Woven Garments

We manufacture and market a line of durable, launderable woven garments that complement our firefighting and heat protective offerings and provide alternatives to our limited use/disposable protective clothing lines. These products provide us access to the much larger woven industrial and health care-related markets. Woven garments are favored by customers for certain applications because of familiarity with and acceptance of these fabrics. These products allow us to supply and satisfy a wider range of our end users' safety needs.

Our product lines include the following:

- Electrostatic dissipative apparel used in electronics clean rooms;
- Flame resistant (FR) meta aramid, para aramid and FR Cotton coveralls/pants/jackets used in petrochemical, refining operations, and electrical utilities;
- Cotton and Polycotton coveralls, lab coats, pants and shirts; and
- FR fabrics containing blends of cotton, Modacrylic, meta aramid, para aramid, and viscose.

We manufacture woven garments at our facilities in China, Mexico and Argentina. We are continuing to relocate our woven protective coveralls and flame-retardant coveralls to our facilities in China, Mexico, Vietnam and India where lower fabric and labor costs allow increased profit margins.

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High Visibility Clothing

Lakeland's High-Visibility Division manufactures and markets a comprehensive line of reflective apparel meeting the American National Standards Institute (ANSI) requirements as well as multiple national standards around the world. The line includes vests, T-shirts, sweatshirts, jackets, coats, raingear, jumpsuits, hats and gloves.

Fabrics available include solid and mesh fluorescent, polyester, both inherently FR and FR treated fabrics, and Modacrylic materials, which meet the arc flash protective requirements for use by electrical utilities. The mesh modacrylic fabric, with its inherent FR capability, has a strong appeal to utility workers in warmer climates during spring and summer months (heat prostration).

Our High Vis FR/ARC rated rainwear is light-weight, soft, flexible and breathable, providing for a cooler garment. This product is intended for the Gas and Electrical Utility markets. The Lakeland ARC-X FR/PU garment exceeds all of the required ASTM arc flash and flash fire ratings for the Electric and Gas Utility market.

Our vest production occurs in our facilities in Mexico and China. Much of this manufacturing is for custom products. Many corporations and agencies, such as State Departments of Transportation and large electric utilities, develop custom specifications which they feel are more efficient in meeting their specific needs than off-the-shelf product. We can also import significant quantities of product from China and Mexico to meet the demand for items in high volume commodity markets.

In addition to ANSI Reflective items, Lakeland Hi-Visibility manufactures Nomex and FR cotton garments which have reflective trim attached as a part of their design criteria. These garments typically are used in rescue or extrication operations, such as those encountered as a result of vehicular accidents. Garments in this group are not as price sensitive as those in other reflective categories.

Gloves and Sleeves

We manufacture and sell specially designed glove and sleeve products made from Kevlar®, a cut and heat resistant fiber produced by DuPont, Spectra®, a cut resistant fiber made by Honeywell, and our own patented engineered yarns. These gloves offer a better overall level of protection, lower worker injury rate, and are more cost effective than traditional leather, canvas or coated work gloves. These gloves allow workers to safely handle sharp or jagged unfinished sheet metal, are used primarily in the automotive, glass and metal fabrication industries.

We have patents for our Despro® and Despro® Plus products that provide greater cut and abrasion protection to the areas of a glove where injury is most likely to occur. For example, the areas of the thumb, thumb crotch and index fingers are made of heavier yarn than the balance of the glove, providing increased wear protection and longer glove life, reducing overall glove costs. This proprietary manufacturing process allows us to produce our gloves more economically and provide a greater value to the end user.

Quality

All of our manufacturing facilities are ISO 9001 or 9002 certified. ISO standards are internationally recognized manufacturing standards established by the International Organization for Standardization based in Geneva, Switzerland. To obtain ISO registration, our factories were independently audited to test our compliance with the applicable standards and norms. In order to maintain registration, our factories receive regular inspections by an independent certification organization. While ISO certification is advantageous in retaining CE certification of products, we believe that the ISO 9001 and ISO 9002 certifications help make us more competitive in the marketplace, as customers increasingly recognize the standard as an indication of conformity with industry best practices in manufacturing.

As we source more and more of our fabrics internationally and manufacture more products certified to various standards, we have installed laboratories in our China and U.S. facilities. These laboratories are critical for ensuring that our incoming raw materials meet our quality requirements, for research and development of new products or qualification of new fabrics, and evaluation of new products against international standards. We continue to add new capabilities to these facilities to meet the requirements of new products and new standards.

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Marketing and Sales

Domestically, we employ a field sales force, organized in four vertical sales groups (industrial sales, fire service, critical environment, and utilities), to better support customers and enhance marketing. We further leverage our in-house sales team with independent sales representatives to a global network of over 1,600 safety and industrial supply distributors who buy our products for resale and typically maintain inventory at the local level in order to assure quick response times and the ability to serve their customers properly.

Internationally, Lakeland has sales representatives in 21 countries outside of the U.S. and sells products into more than 50 countries. Our sustainable market advantages continue to be our knowledge of global standards, the diversity of our product offering and the fact that we manufacture our own products. We provide our customers with an exceptionally broad product selection, high quality, and excellent customer service.

Competition

We compete on the basis of our product quality, pricing, product availability, responsiveness to customers and manufacturing capability. Our business is highly competitive due to a few competitors who have monopolistic positions in the fabrics that are standards in the industry for disposable and high-end chemical suits. We believe that the barriers to entry in the disposable and reusable garments and gloves industries are relatively low as evidenced by the increasing availability of distributor private label product in the marketplace. We face competition in some of our other product markets from large established companies that have greater financial, research and development, sales and technical resources. Where larger competitors, such as DuPont, Kimberly Clark, Ansell, MSA and Honeywell, offer products that are directly competitive with our products, particularly as part of an established line of products, there can be no assurance that we can successfully compete for sales and customers. Larger competitors outside of our Disposable and Chemical Suit lines also may be able to benefit from economies of scale and technological innovation and may introduce new products that compete with our products.

We are continually seeking sources for our raw materials in or near the various countries where we have manufacturing operations. Not only does this reduce freight costs, but it makes for a more robust supply chain that allows us to respond quickly.

Patents and Trademarks

We own 20 patents and have one patent in the application and approval process with the U.S. Patent and Trademark Office. We own 56 trademarks and have six trademarks in the application and approval process. Our active U.S. patents expire between 2023 and 2037. Intellectual property rights that apply to our various products include patents, trade secrets, trademarks and, to a lesser extent, copyrights. We maintain an active program to protect our technology, filing for patent and trademark protection in multiple countries where our product may be “knocked off” or where there exist significant sales of our products. Information regarding risks associated with our proprietary technology and our intellectual property rights may be found in *Item 1A* of this Annual Report on Form 10-K under the heading “*Risk Factors*.”

International and Domestic Standards

Globally, standards development continues to challenge Industrial protective clothing manufacturers. The pace of change and adoption of new standards continues to increase as standards for more hazards are added and deficiencies in existing standards are corrected. Complex and changing international standards play to Lakeland’s strengths when compared to most multinationals or smaller manufacturers. Lakeland currently sits on committees and/or works closely with groups involved in writing many international standards such as the American Society for Testing and Materials International (“ASTM”), the National Fire Protection Association (“NFPA”), International Safety Equipment Association (“ISEA”), the European Committee for Standardization (“CEN”), ISO, the China National Standards Board (“GB”) in China, and the Standards Australia and Standards New Zealand (“ASNZ”).

Globally, not only are the standards continuing to change, but the focus of standards activity is shifting. In response to increasing use of certification processes as a technical barrier to trade, standards writing bodies in the U.S. and Europe have both concluded efforts to update and define conformity assessment (ANSI/ISEA 125 and the PPE Regulation respectively) within their own spheres of influence. Unfortunately, these are not “international standards” and can be easily ignored by other countries who wish to impose their own conformity assessment systems on importers. The result is an increasingly dynamic standards environment where not only are the standards changing, but the minimum requirements for conformity with the certification process itself are changing.

A number of developing nations are now becoming active in their own standards development based on existing international standards. However, we believe that the primary goal of their standards writing activity is not focused on worker protection (that is provided for by the use of international standards), rather they are attempting to establish their own certification criteria that will protect their domestic markets or favor specific regional suppliers. This presents a new challenge in that not only are we faced with multiple test methods and standards, but we have the potential for multiple certification processes. While this adds to product development and sales expenses, the additional cost is only incremental. The real challenge is in navigating the certification process itself. This is a significant impediment to entry for companies seeking to expand sales distribution globally.

In many cases products preferred in one market are not acceptable in another and multiple conformity assessments are required for the same standard certification. This is both technically challenging and costly. Lakeland, by virtue of its international manufacturing and sales operations, is in a unique position to capitalize on this complex dynamic.

Government Regulation

We are governed by regulations that affect the manufacture, distribution, marketing and sale of our products, including regulations relating to various environmental, health and safety matters. These regulations differ among and within every country in which we operate. We are not involved in any pending or, to our knowledge, threatened governmental proceedings, which would require curtailment of our operations because of such laws and regulations. Changes in regulations, guidelines, procedural precedents and enforcement take place frequently and can impact the size, growth potential and profitability of products sold in each market. See “-Environmental Matters” for additional discussion of environmental regulations.

Suppliers and Materials

It is our policy, whenever possible, to qualify multiple vendors for our fabrics and bindings. We frequently distribute our purchases among the top two or three suppliers, based on pricing and delivery schedules, in order to keep multiple suppliers qualified and proficient in the manufacture of the raw materials that we require. Materials, such as polypropylene, polyethylene, polyvinyl chloride, spunlaced polyester, melt blown polypropylene and their derivatives and laminates, are available from 30 or more major mills. FR fabrics are also available from a number of both domestic and international mills. The accessories used in the production of our disposable garments, such as thread, boxes, snaps and elastics, are obtained from unaffiliated suppliers. We currently use 25 suppliers located in the U.S. and internationally to supply our key fabrics. We have not experienced difficulty in obtaining our requirements for these commodity component items.

Due to the high cost of freight for our nonwoven fabrics, we also seek to find multiple sources that are local to our manufacturing to emergency demand and shift manufacturing between our locations with greater ease.

Human Capital Management

As of January 31, 2023, the Company employed approximately 1,600 people worldwide of which approximately 1,550 were full-time and approximately 50 were part-time, of which approximately 90 were employed in the United States and 1,500 were employed outside of the United States. Approximately 1,300 or 80% of our global workforce is covered by collective bargaining agreements or works councils. Overall, we consider our employee relations to be good. Our culture is important to our success.

Health and Safety The health and safety of our employees is of utmost important to us. We conduct regular self-assessments and audits to ensure compliance with our health and safety guidelines and regulatory requirements. Our ultimate goal is to achieve a level of work-related injuries as close to zero as possible through continuous

investment in our safety programs. We provide protective gear (e.g. eye protection, masks and gloves) as required by applicable standards and as appropriate given employee job duties. Additionally, during the COVID-19 pandemic, we invested heavily to help ensure the health of our employees. Through the use of education and awareness, provision of necessary PPE, and changes to our manufacturing sites and screening, we strive to make our workplaces a safe place for employees during the workday.

Hiring Practices We recruit the best people for the job without regard to gender, ethnicity or other protected traits and it is our policy to comply fully with all domestic, foreign and local laws relating to discrimination in the workplace.

Diversity and Inclusion Recognizing and respecting our global presence, we strive to maintain a diverse and inclusive workforce everywhere we operate. Almost 50% of our employees worldwide are female and, in the U.S., non-Caucasian employees account for more than 50% of the employee base. Our diversity and inclusion principles are also reflected in our employee training, in particular with respect to our policies against harassment and bullying and the elimination of bias in the workplace.

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In addition, to support mental health and emotional well-being, all associates and their dependents worldwide have access to an Employee Assistance Program ("EAP"), at no cost to them. This includes access to visits with mental health care providers through the EAP.

Compensation. Lakeland's compensation philosophy strives to provide total compensation for all employees at the market median, utilizing base salary, cash incentives and, in some cases, equity grants to achieve this goal. We further strive to provide above-market compensation opportunities for associates who exceed goals and expectations. This approach to compensation is designed to help Lakeland attract, retain and motivate high-performing individuals who foster an innovative culture and drive business results.

Additional information about how we value our associates' well-being, including our Global Human Rights Policy and our Global Workplace Health and Safety Policy, can be found in the Corporate Governance section of our corporate website. Nothing on our website, including our policies, or sections thereof, shall be deemed incorporated by reference into this Annual Report on Form 10-K or incorporated by reference into any of our other filings with the Securities and Exchange Commission.

Environmental Matters

We are subject to various foreign, federal, state and local environmental protection, chemical control, and health and safety laws and regulations, and we incur costs to comply with those laws. We own and lease real property, and certain environmental laws hold current or previous owners or operators of businesses and real property responsible for contamination on or originating from property, even if they did not know of, or were not responsible for the contamination. The presence of hazardous substances on any of our properties or the failure to meet environmental regulatory requirements could affect our ability to use or to sell the property, or to use the property as collateral for borrowing, and could result in substantial remediation or compliance costs.

Per- and polyfluoroalkyl substances (PFAS) are man-made chemicals that have been used in industry and consumer products worldwide since the 1940s. PFAS have been widely used to make products more resistant to heat, oils, grease, chemicals, and water. Therefore, PFAS are found in everyday consumer goods such as food packaging, nonstick cookware, stain resistant fabrics and carpets, some cosmetics, water-repellent clothing, and some firefighting foams. PFAS are now the subject of increasing regulatory attention. Both the EPA and the European Union have proposed draft regulations regarding PFAS, which include restrictions, data gathering and/or phase-out requirements. In the United States, a number of states have also developed regulatory standards, product reporting, and/or phase-out requirements.

Certain fabric components of firefighter turnout gear manufactured by our suppliers contain PFAS to achieve water, oil, or chemical resistance. No manufacturer of firefighter turnout gear is able to meet the current NFPA safety standards without including some PFAS in certain components of turnout gear. Our suppliers have notified us that they add PFAS to their materials to achieve the NFPA performance requirements. Although the Company has not been named as a party in any lawsuits related to PFAS, firefighters in some states have filed lawsuits related to alleged exposures to PFAS in turnout gear. In addition, the International Association of Fire Fighters has filed a lawsuit in Massachusetts against the NFPA for imposing criteria that effectively requires the use of PFAS in turnout gear.

Although we have not in the past had any material costs or damages associated with environmental claims or compliance, and we do not currently anticipate any such costs or damages, we cannot guarantee that we will not incur material costs or damages in the future as a result of the discovery of new facts or conditions, acquisition of new properties, the release of hazardous substances, a change in interpretation of existing environmental laws or the adoption of new environmental laws.

Seasonality

Our operations have historically been moderately seasonal, with higher sales generally occurring in March, April and May when scheduled maintenance on nuclear, coal, oil and gas fired utilities, chemical, petrochemical and smelting facilities, and other heavy industrial manufacturing plants occurs, primarily due to moderate spring temperatures and low energy demands. Sales decline during the warmer summer vacation months and gradually increase from Labor Day through the fall with slight declines again during holidays, such as Christmas and the Chinese New Year. As a result of this seasonality in our sales, we have historically experienced a corresponding seasonality in our working capital, specifically inventories, with peak inventories occurring between December and May, coinciding with lead times required to accommodate the spring maintenance schedules. Certain of our large customers seek sole sourcing to avoid sourcing their requirements from multiple vendors whose prices, delivery times and quality standards differ.

In recent years, due to increased demand by first responders for our chemical suits and fire gear, our growing sales into the southern hemisphere, and our development of non-seasonal products like CleanMAX, our historical seasonal pattern has shifted. While we doubt that we will ever fully eliminate seasonality in our business, we continue our efforts to diminish its impact on revenues, operational results, working capital and cash flow, by focusing on sales into non-seasonal markets like clean rooms, electric utilities and the fire service markets.

Available Information

Our Internet address is www.Lakeland.com. We make the following filings available free of charge on the Investor Relations page on our website as soon as they have been electronically filed with or furnished to the Securities and Exchange Commission ("SEC"): our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as well as our proxy statement. Information contained on our website is not part of this Annual Report on Form 10-K or our other filings with the SEC. The SEC maintains an Internet site at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers like us who file electronically with the SEC.

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The following is a list of the names and ages of all of our executive officers indicating all positions and offices they hold with us as of April 17, 2023.

Name	Age	Position
Charles D. Roberson	60	Chief Executive Officer, President and Secretary
Roger D. Shannon	58	Chief Financial Officer
Steven L. Harvey	62	Executive Vice President for Global Sales and Marketing
Hui (Helena) An	49	Chief Operating Officer

Charles D. Roberson has served as our Chief Executive Officer, President and Secretary since February 2020. Previously he served as Chief Operating Officer from July 2018. From 2009 to July 2018, he was our Senior Vice President, International Sales. Mr. Roberson joined our Company in 2004 as Technical Marketing Manager; was instrumental in development of our ChemMAX and Interceptor fabrics and represented Lakeland to various standards writing bodies, and later served as International Sales Manager. Prior to joining the Company, Mr. Roberson was employed by Precision Fabrics Group, Inc. as a Market Manager from 1995-2001 and as a Nonwovens Manufacturing Manager from 1991-1995. He began his career as a manufacturing manager for Burlington Industries, Inc. in its Menswear Division from 1985-1991.

Roger D. Shannon has served as our Chief Financial Officer since February 1, 2023. Mr. Shannon was Chief Financial Officer and Treasurer of Charah Solutions from June 2019 to October 2022. Mr. Shannon previously served in various roles, including Chief Financial Officer, Senior Vice President of Finance, Treasurer and Head of Corporate Development at ADTRAN, a publicly traded provider of next-generation networking solutions, from November 2015 to June 2019. Mr. Shannon also served as Chief Financial Officer and Treasurer for Steel Technologies and various senior finance roles at the Brown-Forman Corporation, British American Tobacco, and accounting positions at Vulcan Materials Company, Lexmark International and KPMG.

Steven L. Harvey has been our Executive Vice President for Global Sales and Marketing since January 2021. From 2007 to 2018, Mr. Harvey was Vice-President of Global Sales and Service of Digium, Inc., a provider of telecommunications solutions. From 2003 to 2007, Mr. Harvey was employed by ADTRAN, Inc., a provider of networking and communications equipment as the Vice President of Sales, Enterprise and Competitive Service Providers, as the Vice President of Sales, Competitive Service Providers from 1998 to 2002 and as the Vice President of Sales, Enterprise from 1996 to 1998. Mr. Harvey was also an Executive Vice President of, and held various sales positions for, Data Processing Sciences, and began his career at The Procter & Gamble Company.

Helena An has served as our Chief Operating Officer since April 6, 2023. Ms. An previously served as our Vice President of Procurement and Asia Manufacturing since 2018. Ms. An has been with Lakeland for over 25 years in various procurement and manufacturing leadership positions.

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Item 1A. Risk Factors

RISK FACTORS

You should carefully consider the following risks before investing in our common stock. These are not the only risks that we may face. If any of the events referred to below actually occur, our business, financial condition, liquidity and results of operations could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. You should also refer to the other information in this Form 10-K and in the documents we incorporate by reference into this Form 10-K, including our consolidated financial statements and the related notes.

Risks Related to Our Business and Industry

We are subject to risk as a result of our international manufacturing operations.

Because most of our products are manufactured at our facilities located in China, Vietnam, Mexico, Argentina and India, our operations are subject to risk inherent in doing business internationally. Such risks include the adverse effects on operations from corruption, war, international terrorism, civil disturbances, political instability, government activities such as border taxes and renegotiation of treaties, deprivation of contract and property rights and currency valuation changes.

There is inherent risk, based on the complex relationships between China and the U.S., that political, diplomatic, military, or other events could result in business disruptions, including increased regulatory enforcement against companies, tariffs, trade embargoes, and export restrictions. Tariffs increase the cost of our products and the components and raw materials that go into making them. These increased costs adversely impact the gross margin that we earn on our products. Tariffs can also make our products more expensive for customers, which could make our products less competitive and reduce consumer demand. Countries may also adopt other measures, such as controls on imports or exports of goods, technology, or data, that could adversely impact the Company's operations and supply chain and limit the Company's ability to offer our products and services as designed. These measures can require us to take various actions, including changing suppliers and restructuring business relationships. Changing our operations in accordance with new or changed trade restrictions can be expensive, time-consuming, disruptive to our operations and distracting to management. Such restrictions can be announced with little or no advance notice, and we may not be able to effectively mitigate all adverse impacts from such measures. Political uncertainty surrounding trade and other international disputes could also have a negative effect on consumer confidence and spending. Any of these events could reduce customer demand, increase the cost of our products and services, or otherwise have a materially adverse impact on our customers' and suppliers' businesses and results of operations.

A terrorism attack or other geopolitical crisis could negatively impact our domestic and/or international operations.

Our global operations are susceptible to global events, including acts or threats of war or terrorism, international conflicts, political instability, and natural disasters. The occurrence of any of these events could have an adverse effect on our business results and financial condition.

The impact of the invasion of Ukraine, including economic sanctions or additional war or military conflict, as well as potential responses to them by Russia, could adversely affect the Company's business, supply chain, suppliers or customers and potentially heighten our risk of cyber-attacks. In addition, the continuation of the invasion of Ukraine by Russia could lead to other disruptions, instability and volatility in global markets and industries that could negatively impact the Company's operations. It is not possible to predict the broader consequences of this conflict, which could include further sanctions, embargoes, regional instability, geopolitical shifts and adverse effects on macroeconomic conditions, the availability of raw materials, supplies, freight and labor, currency exchange rates and financial markets, all of which could impact the Company's business, financial condition and results of operations.

Further escalation of specific trade tensions, including those between the U.S. and China, or more broadly in global trade conflicts, could adversely impact the Company's business and operations. The Company's business is also impacted by social, political, and labor conditions in locations in which the Company or its suppliers or customers operate; adverse changes in the availability and cost of capital; monetary policy; interest rates; inflation; recession; commodity prices; currency volatility or exchange control; ability to expatriate earnings; and other laws and regulations in the jurisdictions in which the Company or its suppliers or customers operate. For example, changes in local economic condition or outlooks, such as lower economic growth rates in China, Europe, or other key markets, impact the demand or profitability of the Company's products.

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Pandemics or disease outbreaks, such as COVID-19, may cause unfavorable economic or market conditions which could impact demand patterns and/or disrupt global supply chains and manufacturing operations.

Collectively, these outcomes could materially and adversely affect our business, results of operations and financial condition. Pandemics or disease outbreaks such as COVID-19 could result in a widespread health crisis that could adversely affect the economies of developed and emerging markets, potentially resulting in an economic downturn that could affect customers' demand for our products in certain industrial-based end-markets. The spread of pandemics or disease outbreaks may also disrupt the Company's manufacturing operations, supply chain, or logistics necessary to import, export and deliver products to our customers. During a pandemic or crisis, applicable laws and response directives could, in some circumstances, adversely affect our ability to operate our plants, or to deliver our products in a timely manner. Some laws and directives may also hinder our ability to move certain products across borders. Economic conditions can also influence order patterns. These factors could negatively impact our consolidated results of operations and cash flow. To date, while we have experienced some loss of employee time and reduced core business sales, we have not suffered significant negative effects due to COVID-19, and our manufacturing facilities have been able to operate without shutdown.

We have significant international operations and are subject to the risks of doing business in foreign countries, particularly in China and Vietnam, which could affect our ability to manufacture or sell our products, obtain products from foreign suppliers or control the costs of our products.

We have business operations in approximately 60 foreign countries. In FY23, more than half of our net sales were made by operations outside the United States. Those operations are subject to various political, economic and other risks and uncertainties, which could have a material adverse effect on our business. These risks include the following:

- unexpected changes in regulatory requirements;
- changes in trade policy or tariff regulations;
- changes in tax laws and regulations;
- additional valuation allowances on deferred tax assets due to an inability to generate sufficient profit in certain foreign jurisdictions;
- intellectual property protection difficulties or intellectual property theft;
- difficulty in collecting accounts receivable;
- complications in complying with a variety of foreign laws and regulations, some of which may conflict with U.S. laws;
- foreign privacy laws and regulations;
- trade protection measures and price controls;
- trade sanctions and embargoes;
- nationalization and expropriation;
- increased international instability or potential instability of foreign governments;
- effectiveness of worldwide compliance with Lakeland's anti-bribery policy, the U.S. Foreign Corrupt Practices Act, and similar local laws;
- difficulty in hiring and retaining qualified employees;
- the ability to effectively negotiate with labor unions in foreign countries;
- the need to take extra security precautions for our international operations;
- costs and difficulties in managing culturally and geographically diverse international operations; and
- pandemics and similar disasters.

In particular, because a majority of our products are manufactured in China and Vietnam, the possibility of adverse changes in trade or political relations with China or Vietnam, political instability in China or Vietnam, increases in labor costs, the occurrence of prolonged adverse weather conditions or a natural disaster such as an earthquake or typhoon in China or Vietnam, or the outbreak of a pandemic disease in China or Vietnam could severely interfere with the manufacturing and/or shipment of our products and would have a material adverse effect on our operations.

Our business operations may be adversely affected by the current and future political environment in the People's Republic of China ("PRC"). The government of the PRC has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. Our ability to operate under the PRC may be adversely affected by changes in Chinese laws and regulations, including those relating to taxation, import and export tariffs, raw materials, environmental regulations, land use rights, property and other matters. Under its current leadership, the government of the PRC has been pursuing economic reform policies that encourage private economic activity and greater economic decentralization. There is no assurance, however, that the government of the PRC will continue to pursue these policies, or that it will not significantly alter these policies from time to time without notice. A change in policies by the PRC government could adversely affect our interests by, among other factors: changes in laws, regulations or the interpretation thereof, confiscatory taxation, restrictions on currency conversion, imports or sources of supplies, or the expropriation or nationalization of private enterprises.

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The PRC government exercises significant control over the Chinese economy, including but not limited to controlling capital investments, allocating resources, setting monetary policy, controlling and monitoring foreign exchange rates, implementing and overseeing tax regulations, providing preferential treatment to certain industry segments or companies and issuing necessary licenses to conduct business. In addition, we could face additional risks resulting from changes in the PRC's data privacy and cybersecurity requirements. Accordingly, any adverse change in the Chinese economy, the PRC legal system or the PRC governmental, economic or other policies could have a material adverse effect on our entities in the PRC and our prospects generally.

We face additional risks in the PRC due to the PRC's historically limited recognition and enforcement of contractual and intellectual property rights. We may experience difficulty enforcing our intellectual property rights in the PRC. Unauthorized use of our technologies and intellectual property rights by partners or competitors may dilute or undermine the strength of our brands. If we cannot adequately monitor the use of our technologies and products or enforce our intellectual property rights in the PRC or contractual restrictions relating to the use of our intellectual property by Chinese companies, our revenue could be adversely affected.

Our entities are subject to laws and regulations applicable to foreign investment in the PRC. There are uncertainties regarding the interpretation and enforcement of laws, rules and policies in the PRC. Because many laws and regulations are relatively new, the interpretations of many laws, regulations and rules are not always uniform. Moreover, the interpretation of statutes and regulations may be subject to government policies reflecting domestic political agendas. Enforcement of existing laws or contracts based on existing law may be uncertain and sporadic. As a result of the foregoing, it may be difficult for us to obtain swift or equitable enforcement of laws ostensibly designed to protect companies like ours, which could have a material adverse effect on our business and results of operations.

Any one or more of these risks could have a negative impact on the success of our international operations and, thereby, have a material adverse effect on our business, consolidated results of operations and financial condition.

Our results of operations may vary widely from quarter to quarter.

Our quarterly results of operations have varied and are expected to continue to vary in the future. These fluctuations may be caused by many factors, including:

- Currency volatility;

- Global crises, such as the COVID-19 pandemic, oil spills, or Ebola outbreak;
- Our expansion of international operations;
- Competitive pricing pressures;
- Seasonal buying patterns resulting from the cyclical nature of the business of some of our customers;
- Changes in the mix of products and services sold;
- The timing of introductions and enhancements of products by us or our competitors;
- Market acceptance of new products;
- Technological changes in fabrics or production equipment used to make our products;
- Availability of raw materials due to unanticipated demand or lack of precursors (oil and gas);
- Changes in the mix of domestic and international sales; and
- Personnel changes.

These variations could negatively impact our stock price.

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Disruption in our supply chain, manufacturing or distribution operations could adversely affect our business.

Our ability to manufacture, distribute and sell products is critical to our operations. These activities are subject to inherent risks such as natural disasters, power outages, fires or explosions, labor strikes, terrorism, epidemics, pandemics (including the ongoing COVID-19 pandemic), import restrictions, regional economic, business, environmental or political events, governmental regulatory requirements or nongovernmental voluntary actions in response to global climate change or other concerns regarding the sustainability of our business, which could disrupt our supply chain and impair our ability to manufacture or sell our products. This interruption, if not mitigated in advance or otherwise effectively managed, could adversely impact our business, financial condition and results of operations, as well as require additional resources to address.

Climate change and other sustainability matters may adversely affect our business and operations.

There is growing concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns, and the frequency and severity of extreme weather and natural disasters. We have transition risks related to the transition to a lower-carbon economy and physical risks related to the physical impacts of climate change. Transition risks include increased costs of carbon emission, increased cost to produce products in compliance with future regulations, increased raw materials cost, shifts in customer/consumer values and other legal, regulatory and technological risks. Physical risks include the risk of direct damage to assets or supply chain disruption caused by severe weather events such as floods, storms, wildfires and droughts. In addition, concern over climate change may result in new legal and regulatory requirements to reduce or mitigate the effects of climate change on the environment. Our reputation could be damaged if we do not (or are perceived not to) act responsibly with respect to sustainability matters, which could adversely affect our business.

Because we do not have long-term commitments from many of our customers, we must estimate customer demand, and errors in our estimates could negatively impact our inventory levels and net sales.

Our sales are generally made on the basis of individual purchase orders, which may later be modified or canceled by the customer rather than on long-term commitments. We have historically been required to place firm orders for fabrics and components with our suppliers prior to receiving an order for our products based on our forecasts of customer demands. Our sales process requires us to make multiple demand forecast assumptions, each of which may introduce errors into our estimates, causing excess inventory to accrue or a lack of manufacturing capacity when needed. If we overestimate customer demand, we may allocate resources to manufacturing products that we may not be able to sell when we expect to or at all. As a result, we would have excess inventory, which would negatively impact our financial results. Conversely, if we underestimate customer demand or if insufficient manufacturing capacity is available, we would lose sales opportunities, market share and damage our customer relationships. On occasion, we have been unable to adequately respond to delivery dates required by our customers because of the lead time needed for us to obtain required materials or to send fabrics to our assembly facilities in China, Vietnam, India, and Mexico.

The markets in which we compete are highly competitive, and some of our competitors have greater financial and other resources than we do.

Some of our competitors have greater financial and other resources than we do, and our business could be adversely affected by competitors' new product innovations, technological advances made to competing products and pricing changes made by us in response to competition from existing or new competitors. We may not be able to compete successfully against current and future competitors, and the competitive pressures faced by us could have a material adverse effect on our business, consolidated results of operations and financial condition. In addition, e-business is a rapidly developing area, and the execution of a successful e-business strategy involves significant time, investment and resources.

Five of our competitors, DuPont, Honeywell, Ansell, MSA and Kimberly Clark, have substantially greater financial, marketing and sales resources than we do. In addition, we believe that the barriers to entry in the disposable and reusable garments and gloves markets are relatively low. We cannot assure you that our present competitors or competitors that choose to enter the marketplace in the future will not exert significant competitive pressures.

Our operations are substantially dependent upon key personnel.

Our performance is substantially dependent on the continued services and performance of our senior management and certain other key personnel, including Charles D. Roberson, our Chief Executive Officer, President and Secretary; Roger D. Shannon, our Chief Financial Officer; Steven L. Harvey, our Executive Vice President for Global Sales and Marketing; and, Helena An, our Chief Operating Officer. The loss of services of any of our executive officers or other key employees could have a material adverse effect on our business, financial condition and results of operations. In addition, any future expansion of our business will depend on our ability to identify, attract, hire, train, retain and motivate other highly skilled managerial, marketing, customer service and manufacturing personnel, and our inability to do so could have a material adverse effect on our business, financial condition and results of operations.

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Technological change could negatively affect sales of our products and our performance.

The rapid development of fabric technology continually affects our apparel applications and may directly impact the performance of our products. We cannot assure you that we will successfully maintain or improve the effectiveness of our existing products, nor can we assure you that we will successfully identify new opportunities or continue to have the needed financial resources to develop new fabric or apparel manufacturing techniques in a timely or cost-effective manner. In addition, products manufactured by others may render our products obsolete or noncompetitive.

Cybersecurity incidents could disrupt business operations, result in the loss of critical and confidential information and adversely impact our reputation and results of operations.

We rely on information technology systems to process, transmit and store electronic information, and to manage or support a variety of business processes and activities. In general, all information technology systems, including those we host or have hosted by third parties, are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, human error or malicious acts, break-ins, and other intentional or unintentional events. Our business is also at risk from and may be materially impacted and/or disrupted by information security incidents such as ransomware, malware, viruses, phishing, social engineering, and other security incidents.

Such incidents can range from individual attempts to gain unauthorized access to information technology systems through phishing emails to more sophisticated security threats. These events can also result from internal compromises, such as human error or rogue employee or contractor, and can occur on our systems or on the systems of our partners and subcontractors. In addition, the number and frequency of cybersecurity events globally may be heightened during times of geopolitical tension or instability between countries, including, for example, the ongoing war between Russia and Ukraine. Security breaches of our systems or security breaches of third parties' systems on which we rely to process, store, or transmit electronic information, could result in the misappropriation, destruction or unauthorized disclosure of confidential information or personal data, as well as material disruptions to our operations that could impact services.

We employ comprehensive measures to prevent, detect, address and mitigate cybersecurity threats (including access controls, data encryption, vulnerability assessments, management training, continuous monitoring of our IT networks and systems and maintenance of backup and protective systems). However, our security measures may be inadequate to prevent security breaches, and our business operations and reputation could be materially adversely affected by these events and any resulting federal and state fines and penalties, legal claims or proceedings. There are also significant costs associated with a data breach, including investigation costs, remediation and mitigation costs, notification costs, attorneys' fees, and the potential for reputational harm and lost revenues due to a loss of confidence. We cannot predict the costs to comply with these laws or the costs associated with a potential data breach, which could have a material adverse effect on our business, results of operations, financial position and cash flows, and our business reputation. As cyber threats continue to evolve, we may be required to expend significant capital and other resources to protect against the threat of security breaches or to mitigate and alleviate problems caused by security incidents. While no cybersecurity attack to date has had a material impact on our financial condition, results of operations or liquidity, the threat remains.

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Data privacy and security laws relating to the handling of personal information are evolving across the world and may be drafted, interpreted or applied in a manner that results in increased costs, legal claims, fines against us, or reputational damage.

As a global organization having access to and processing personal data in the course of our business, we are subject to U.S. and international data privacy, security and data breach notification laws as well as contractual requirements which may govern the collection, use, disclosure and protection of personal data.

For example, in the United States, individual states regulate data breach notification requirements as well as more general privacy and security requirements. Certain of these laws grant individuals various rights with respect to personal information, and we may be required to expend significant resources to comply with these laws. Further, all 50 states, the District of Columbia and U.S. territories have adopted data breach notification laws that impose, in varying degrees, an obligation to notify affected persons and/or state regulators in the event of a data breach or compromise, including when their personal information has or may have been accessed by an unauthorized person. These laws apply according to the residence of the impacted individual. Some state breach notification laws may also impose physical and electronic security requirements regarding the safeguarding of personal information. In addition, certain states' privacy, security, and data breach laws, including, for example, the California Consumer Privacy Act ("CCPA") (as amended by the California Privacy Rights Act), include private rights of action that may expose us to private litigation regarding our privacy and security practices and significant damages awards or settlements in civil litigation.

Compliance with the varying data privacy regulations across the United States and around the world may require expenditures and changes in our business models. Failure to comply with these statutory requirements, or even the occurrence of a data breach, can subject us to legal, regulatory, and reputational risks, as well as the financial risks that can accompany regulatory investigations and enforcement actions and private litigation.

Our success depends in part on our proprietary technology, and if we fail to successfully obtain or enforce our intellectual property rights, our competitive position may be harmed.

We rely on our portfolio of issued and pending patent applications in the U.S. and other countries to protect a large part of our intellectual property and our competitive position; however, these patents may be insufficient to protect our intellectual property rights because our patents may be challenged, invalidated, held unenforceable, circumvented, or may not be sufficiently broad to prevent third parties from producing competing products similar in design to our products and foreign patents protections may be more limited than those provided under U.S. patents and intellectual property laws.

We may not be afforded the protection of a patent if our currently pending or future patent filings do not result in the issuance of patents or if we fail to apply for patent protection. We may fail to apply for a patent if our personnel fail to disclose or recognize new patentable ideas or innovations. Remote working can decrease the opportunities for our personnel to collaborate, thereby reducing the opportunities for effective invention disclosures and patent application filings. We may choose not to file a foreign patent application if the limited protections provided by a foreign patent outweigh the costs to obtain it. Our foreign patent portfolio is less extensive than our U.S. portfolio.

Our inability to maintain the proprietary nature of our technology through patents, copyrights or trade secrets would impair our competitive advantages and could have a material adverse effect on our operating results, financial condition and future growth prospects. In particular, a failure to protect our intellectual property rights might allow competitors to copy our technology or create counterfeit or pirated versions of our products, which could adversely affect our reputation, pricing and market share.

Our inability to successfully identify, consummate and integrate current and future acquisitions or to realize anticipated cost savings and other benefits could adversely affect our business.

In the future, subject to capital constraints, we may seek to acquire selected safety product lines or safety-related businesses or other businesses, which will complement our existing products. Our ability to acquire these businesses is dependent upon many factors, including our management's relationship with the owners of these businesses, many of which are small and closely held by individual stockholders. In addition, we will be competing for acquisition and expansion opportunities with other companies, many of which have greater name recognition, marketing support and financial resources than us, which may result in fewer acquisition opportunities for us, as well as higher acquisition prices. There can be no assurance that we will be able to identify, pursue or acquire any targeted business.

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If we are unable to integrate or successfully manage businesses that we have recently acquired or may acquire in the future, we may not realize anticipated cost savings, improved manufacturing efficiencies and increased revenue, which may result in material adverse short and long-term effects on our consolidated operating results, financial condition and liquidity. Even if we are able to integrate the operations of our acquired businesses into our operations, we may not realize the full benefits of the cost savings, revenue enhancements or other benefits that we may have expected at the time of acquisition. In addition, even if we achieve the expected benefits, we may not be able to achieve them within the anticipated time frame, and such benefits may be offset by costs incurred in integrating the acquired companies and increases in other expenses.

Acquisitions involve a number of special risks in addition to those mentioned above, including the diversion of management's attention to the assimilation of the operations and personnel of the acquired companies, the potential loss of key employees of acquired companies, potential exposure to unknown liabilities, adverse effects on our reported operating results and the amortization or write-down of acquired intangible assets. We cannot assure you that any acquisition by us will or will not occur, that if an acquisition does occur that it will not materially and adversely affect our results of operations or that any such acquisition will be successful in enhancing our business. To the extent that we are unable to manage growth efficiently and effectively or are unable to attract and retain additional qualified management personnel, our business, financial condition and results of operations could be materially and adversely affected.

On December 2, 2022, the Company acquired UK-based Eagle Technical Products in an all-cash transaction valued at approximately \$10.5 million subject to post-closing adjustments and potential future earnout payments. The acquisition enhances Lakeland's product portfolio, particularly within fire service protective clothing and expands its sales presence in the Middle East and Europe.

Beginning in October 2021, the Company has made a series of strategic investments totaling \$5.8 million in Inova Design Solutions Ltd. (doing business as Bodytrak®) ("Bodytrak") as a step toward entering the Connected Worker Market for "Smart PPE." Through January 31, 2023, the Company has recognized a total of \$0.5 million in losses from its investment in Bodytrak. The Company may incur additional losses.

We have identified a material weakness in our internal control over accounting for foreign currency exchanges and foreign currency translation and remeasurement related to our international subsidiaries and such weakness led to a conclusion that our internal control over financial reporting and disclosure controls and procedures were not effective as of January 31, 2023. Our ability to remediate the material weakness, our discovery of additional weaknesses, and our inability to achieve and maintain effective disclosure controls and procedures and internal control over financial reporting, could adversely affect our results of operations, our stock price and investor confidence in our company.

Section 404 of the Sarbanes-Oxley Act of 2002 requires that companies evaluate and report on the effectiveness of their internal control over financial reporting. In addition, we engaged our independent registered public accounting firm to report on its evaluation of those controls. As disclosed in more detail under Item 9A, "Controls and Procedures" of this Annual Report on Form 10-K, we have identified a material weakness as of January 31, 2023 in our internal control over accounting for foreign currency translation and remeasurement related to our international subsidiaries. Due to the material weakness in our internal control over financial reporting, we have also concluded our disclosure controls and procedures were not effective as of January 31, 2023.

Failure to have effective internal control over financial reporting and disclosure controls and procedures could impair our ability to produce accurate financial statements on a timely basis and could lead to a restatement of our financial statements. For example, the identified material weakness resulted in us recording late adjustments to our consolidated financial statements for the fiscal year ended January 31, 2023. Management, however, has concluded that the material weakness did not result in any misstatements that are material to our consolidated financial statements for any of the periods presented. If, as a result of the ineffectiveness of our internal control over financial reporting and disclosure controls and procedures, we cannot provide reliable financial statements, our business decision processes may be adversely affected, our business and results of operations could be harmed, investors could lose confidence in our reported financial information and our ability to obtain additional financing, or additional financing on favorable terms, could be adversely affected. In addition, failure to maintain effective internal control over financial reporting could result in investigations or sanctions by regulatory authorities.

Our management has taken immediate action to design and implement enhanced preventative and detective controls and begin remediating the material weaknesses, however, certain remedial actions have not started or have only recently been undertaken, and while we expect to continue to implement our remediation plans throughout the fiscal year ended January 31, 2024, we cannot be certain as to when remediation will be fully completed. Additional details regarding the initial remediation efforts are disclosed in more detail under Item 9A, "Controls and Procedures" of this Annual Report on Form 10-K. Further, we may in the future identify additional internal control deficiencies that could rise to the level of a material weakness or uncover other errors in financial reporting. During the course of our evaluation, we may identify areas requiring improvement and may be required to design additional enhanced processes and controls to address issues identified through this review. There can be no assurance that such remediation efforts will be successful, that our internal control over financial reporting will be effective as a result of these efforts or that any such future deficiencies identified may not be material weaknesses that would be required to be reported in future periods. As such, we cannot assure you that our independent registered public accounting firm will be able to attest that such internal controls are effective when they are required to do so.

If we fail to remediate the material weakness and maintain effective disclosure controls and procedures or internal control over financial reporting, we may not be able to rely on the integrity of our financial results, which could result in inaccurate or late reporting of our financial results, as well as delays or the inability to meet our reporting obligations or to comply with SEC rules and regulations. Any of these could result in delisting actions by the Nasdaq Stock Market, investigation and sanctions by regulatory authorities, stockholder investigations and lawsuits, and could adversely affect our business and the trading price of our common stock.

Financial Risks

Our results of operations could be negatively affected by potential fluctuations in foreign currency exchange rates.

Most of our assembly arrangements with our foreign-based subsidiaries or third-party suppliers require payment to be made in U.S. dollars or the Chinese Renminbi ("RMB"). Any decrease in the value of the U.S. dollar or RMB in relation to foreign currencies could increase the cost of the services provided to us upon contract expirations or supply renegotiations. There can be no assurance that we will be able to increase product prices to offset any such cost increases, and any failure to do so could have a material adverse effect on our business, financial condition and results of operations.

We are also exposed to foreign currency exchange rate risks as a result of our sales to customers in foreign countries in the amount of \$63.9 million in FY23. Our sales in these countries are usually denominated in the local currency. If the value of the U.S. dollar increases relative to these local currencies, and we are unable to raise our prices proportionally, then our profit margins could decrease because of the exchange rate change.

We are exposed to changes in foreign currency exchange rates as a result of our purchases and sales in other countries. To manage the volatility relating to foreign currency exchange rates, we seek to limit, to the extent possible, our non-US dollar denominated purchases and sales.

In connection with our operations in China, we purchase a significant amount of products from outside of the United States. However, our purchases in China are primarily made in the RMB, the value of which has floated for the last 6 years, therefore we have been exposed to additional foreign exchange rate risk on our Chinese raw material and component purchases.

Our primary risk from foreign currency exchange rate changes is presently related to non-US dollar denominated sales in China, Canada and Europe and, to a smaller extent, in South American countries and in Russia. Our sales to customers in Canada are denominated in Canadian dollars, in Europe in Euros and British pounds, and in China in RMB and U.S. dollars. If the value of the U.S. dollar increases relative to the Canadian dollar, the Pound, the Euro, or the RMB then our net sales could decrease as our products would be more expensive to these international customers because of changes in rate of exchange. We manage the foreign currency risk, when appropriate, through the use of rolling 90-day forward contracts against the Canadian dollar and Euro and through cash flow hedges in the U.S. against the RMB and the Euro. We do not hedge other currencies at this time. In the event that non-U.S. dollar denominated international purchases and sales grow, exposure to volatility in exchange rates could have a material adverse impact on our financial results.

Covenants in our credit facilities may restrict our financial and operating flexibility.

As a result of the Loan Agreement the Company entered into on June 25, 2020, as amended on June 18, 2021 and March 3, 2023, we currently have a \$25.0 million revolving credit facility, expiring June 25, 2025. Our credit facility requires, and any future credit facilities may also require, among others that we comply with specified financial covenants relating to fixed charge coverage and investment in acquisitions. Our ability to satisfy these financial covenants can be affected by events beyond our control, and we cannot guarantee that we will meet the requirements of these covenants.

On March 3, 2023, the Company changed the benchmark interest rate in our credit facility from the London Interbank Offered Rate (“LIBOR”) to the Secured Overnight Financing Rate (“SOFR”). At January 31, 2023, we did not have any outstanding debt under our credit facility.

We may need additional funds, and if we are unable to obtain these funds, we may not be able to expand or operate our business as planned.

Our operations require significant amounts of cash, and we may be required to seek additional capital, whether from sales of equity or by borrowing money, to fund acquisitions for the future growth and development of our business or to fund our operations and inventory, particularly in the event of a market downturn.

A number of factors could affect our ability to access future debt or equity financing, including:

- Our financial condition, strength and credit rating;
- The financial markets’ confidence in our management team and financial reporting;
- General economic conditions and the conditions in the homeland security and Energy sectors; and
- Capital markets conditions.

Even if available, additional financing may be more costly than our current facility and may have adverse consequences. If additional funds are raised through the incurrence of debt, we will incur increased debt servicing costs and may become subject to additional restrictive financial and other covenants. We can give no assurance as to the terms or availability of additional capital. Although management believes it currently has sufficient capital, if we do need additional capital in the future and are unsuccessful, it could reduce our net sales and materially adversely impact our earning capability and financial position.

Adverse developments affecting the financial services industry, including events or concerns involving liquidity, defaults or non-performance by financial institutions or transactional counterparties, could adversely affect our business, financial condition or results of operations.

Events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. Most recently, on March 10, 2023, Silicon Valley Bank (“SVB”) was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation (“FDIC”) as receiver. Similarly, on March 12, 2023, Signature Bank and Silvergate Capital Corp. were each swept into receivership. We do not have any account with SVB, Signature Bank or Silvergate Capital Corp., and we have access to all of our funds. Although we assess our banking and customer relationships as we believe necessary or appropriate, our access to funding sources and other credit arrangements in amounts adequate to finance or capitalize our current and projected future business operations could be significantly impaired by factors that affect us, the financial services industry or economy in general. These factors could include, among others, events such as liquidity constraints or failures, the ability to perform obligations under various types of financial, credit or liquidity agreements or arrangements, disruptions or instability in the financial services industry or financial markets, or concerns or negative expectations about the prospects for companies in the financial services industry.

In addition, investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us to acquire financing on acceptable terms or at all. Any decline in available funding or access to our cash and liquidity resources could have material adverse impacts on our liquidity and our business, financial condition or results of operations.

If our goodwill, other intangible assets and long-lived assets become impaired, we may be required to record significant charges to earnings.

We review our long-lived assets for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. Goodwill and indefinite-lived intangible assets are required to be assessed for impairment at least annually. Factors that may be considered a change in circumstances, indicating that the carrying amount of our goodwill, indefinite-lived intangible assets or long-lived assets may not be recoverable, include slower growth rates in our markets, reduced expected future cash flows, increased country risk premiums as a result of political uncertainty and a decline in stock price and market capitalization. We consider available current information when calculating our impairment charge. If there are indicators of impairment, our long-term cash flow forecasts for our operations deteriorate or discount rates increase, we may be required to recognize additional impairment charges in later periods.

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Legal and Regulatory Risks

We deal in countries where corruption is an obstacle.

We must comply with American laws such as the Foreign Corrupt Practices Act (FCPA) and Sarbanes-Oxley and also with anticorruption legislation in the U.K. Some of our competitors and customers in foreign jurisdictions may not adhere to such legislation. As a result, we believe that we lose sales orders due to our strict adherence to such regulations.

We are subject to various U.S. and foreign tax laws and any changes in these laws related to the taxation of businesses and resolutions of tax disputes could adversely affect our results of operations.

The U.S. Congress, the Organization for Economic Co-operation and Development (or, OECD) and other government agencies in jurisdictions in which we invest or do business have maintained a focus on issues related to the taxation of multinational companies. The OECD has changed numerous long-standing tax principles through its base erosion and profit shifting (“BEPS”) project which could adversely impact our effective tax rate.

We are subject to regular review and audit by both foreign and domestic tax authorities. While we believe our tax positions will be sustained, the final outcome of tax audits and related litigation may differ materially from the tax amounts recorded in our consolidated financial statements, which could have a material adverse effect on our consolidated results of operations, financial condition and cash flows.

We may be subject to product liability claims, and insurance coverage could be inadequate or unavailable to cover these claims.

We manufacture products used for protection from hazardous or potentially lethal substances, such as chemical and biological toxins, fire, viruses and bacteria. The products that we manufacture are typically used in applications and situations that involve high levels of risk of personal injury. Failure to use our products for their intended purposes, failure to use our products properly or the malfunction of our products could result in serious bodily injury or death of the user. In such cases, we may be subject to product liability claims arising from the design, manufacture or sale of our products. If these claims are decided against us, and we are found to be liable, we may be required to pay substantial damages, and our insurance costs may increase significantly as a result. We cannot assure you that our insurance coverage would be sufficient to cover the payment of any potential claim. In addition, we cannot assure you that this or any other insurance coverage will continue to be available or, if available, that we will be able to obtain it at a reasonable cost. Any material uninsured loss could have a material adverse effect on our financial condition, results of operations and cash flows.

Environmental laws and regulations may subject us to significant liabilities.

Our U.S. operations, including our manufacturing facilities, are subject to federal, state and local environmental laws and regulations relating to the discharge, storage, treatment, handling, disposal and remediation of certain materials, substances and wastes. Any violation of any of those laws and regulations could cause us to incur substantial liability to the U.S. Environmental Protection Agency, the state environmental agencies in any affected state or to any individuals affected by any such violation. If hazardous substances are released from or located on any of our properties, we could incur substantial costs and damages. Any such liability could have a material adverse effect on our financial condition and results of operations.

For example, governmental authorities in the U.S. and in other jurisdictions are increasingly focused on potential contamination resulting from PFAS. Products containing PFAS have been used in manufacturing, industrial, and consumer applications over many decades, including in some of our materials. In 2021, the Biden Administration announced a multi-agency plan to address PFAS contamination, and the U.S. Environmental Protection Agency released its PFAS Strategic Roadmap, which identified a comprehensive approach to addressing PFAS. In August 2022, the U.S. EPA proposed to designate perfluorooctanesulfonic acid (PFOS) and perfluorooctanoic acid (PFOA), two of the most common PFAS chemicals, as hazardous substances, which could have wide-ranging impacts on companies across various industries, including ours. We may incur costs in connection with any obligations to transition away from the usage of PFAS-containing products, to dispose of PFAS-containing waste or to remediate any PFAS contamination, which could have a negative effect on our financial position, results of operations and cash flows.

In addition, some environmental laws impose liability, sometimes without fault, for investigating and/or cleaning up contamination on, or emanating from, properties currently or formerly owned, leased or operated by a person, as well as for damages to property or natural resources and for personal injury arising out of such contamination. Such liability may be joint and several, meaning that we could be held responsible for more than our share of the liability involved, or even the entire liability.

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The regulatory environment in which we operate is subject to change, and new regulations and new or existing claims, such as those related to certain PFAS substances could have a material adverse effect on our business, financial condition and results of operations or make aspects of our business as currently conducted no longer possible. In addition, we may in the future be subject to claims related to PFAS, including for degradation of natural resources from such PFAS and personal injury or product liability claims as a result of human exposure to such PFAS.

Provisions in our restated certificate of incorporation and by-laws and Delaware law could make a merger, tender offer or proxy contest difficult.

Our restated certificate of incorporation contains classified board provisions, authorized preferred stock that could be utilized to implement various “poison pill” defenses and a stockholder authorized, but as yet unused, Employee Stock Ownership Plan (“ESOP”), all of which may have the effect of discouraging a takeover of Lakeland, which is not approved by our board of directors. Further, we are subject to the antitakeover provisions of Section 203 of the Delaware General Corporation Law, which prohibit us from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in the prescribed manner.

Risks Relating to Our Common Stock

The market price of our common stock may fluctuate widely.

The market price of our common stock could be subject to significant fluctuations in response to quarter-to-quarter variations in our operating results, announcements of new products or services by us or our competitors and other events or factors. For example, a shortfall in net sales or net income, or an increase in losses, from levels expected by securities analysts or investors, could have an immediate and significant adverse effect on the market price of our common stock. Volume fluctuations that have particularly affected the market prices of many micro and small capitalization companies have often been unrelated or disproportionate to the operating performance of these companies. These fluctuations, as well as general economic and market conditions, may adversely affect the market price for our common stock.

In February 2023, the Company declared a quarterly cash dividend. Future quarterly dividends are subject to declaration by the Company’s Board of Directors, and the Company’s share repurchase programs do not obligate it to acquire any specific number of shares. If the Company fails to meet expectations related to future growth, profitability, dividends, share repurchases or other market expectations, the price of the Company’s stock may decline significantly, which could have a material adverse impact on investor confidence and employee retention.

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ITEM 1B: UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive office is located at 1525 Perimeter Parkway Suite 325, Huntsville, AL 35806 United States. We own or lease our primary facilities. We own our manufacturing locations in AnQui City, China and Jerez, Mexico. We lease our manufacturing locations in Buenos Aires, Argentina, Noida, India, and Xuan Trung Commune, Vietnam.

We believe that all of our facilities, including the manufacturing facilities, are in good repair and in suitable condition for the purposes for which they are used.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are a party to litigation arising in the ordinary course of our business. We are not currently a party to any litigation or other legal proceedings that we believe could reasonably be expected to have a material adverse effect on our results of operations, financial condition or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is currently traded on the Nasdaq Market under the symbol “LAKE.” On April 6, 2023 there were 30 registered holders of our shares of common stock. This number of registered holders does not represent the actual number of beneficial owners of our common stock because shares are frequently held in “street

name” by securities dealers and others for the benefit of individual owners who have the right to vote their shares.

Dividend Policy

Prior to February 2023, we had not paid any cash dividends on our common stock. On February 1, 2023, the Board of Directors declared a quarterly dividend of \$0.03 per share that was paid on February 22, 2023, to stockholders of record as of February 15, 2023. The payment and rate of future cash or stock dividends, if any, or stock repurchase programs are subject to the discretion of our board of directors and will depend upon our earnings, financial condition, capital or contractual restrictions under our credit facilities and other factors.

Issuer Purchase of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Dollar Amount of Shares that May Yet Be Purchased Under the Programs
November 1 – November 30	—	\$ —	—	\$ 363,998
December 1 – December 31	---	\$ ---	---	\$ 5,363,998
January 1 – January 31	2,581	\$ 14.48	---	\$ 5,363,998
Total	2,581	\$ 14.48	---	\$ 5,363,998(2)

(1) Withholding of 2,581 restricted shares to cover taxes on vested restricted shares during the fourth quarter of FY23.

(2) Represents the amount remaining under our share repurchase program as of January 31, 2023.

On February 17, 2021, the Company’s board of directors approved a stock repurchase program under which the Company may repurchase up to \$5 million of its outstanding common stock. On July 6, 2021, the Board of Directors authorized an increase in the Company’s then current stock repurchase program under which the Company may repurchase up to an additional \$5 million of its outstanding common stock. On April 7, 2022, the Board of Directors authorized a new stock repurchase program under which the Company may repurchase up to \$5 million of its outstanding common stock, which became effective upon the completion of the prior share repurchase program. On December 1, 2022, the Board of Directors authorized an increase in the Company’s stock repurchase program under which the Company may repurchase up to an additional \$5 million of its outstanding common stock. The share repurchase program has no expiration date but may be terminated by the Board of Directors at any time.

We do not have any other share repurchase programs.

ITEM 6. [RESERVED]

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ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following summary together with the more detailed business information and consolidated financial statements and related notes that appear elsewhere in this Form 10-K and in the documents that we incorporate by reference into this Form 10-K. This document may contain certain “forward-looking” information within the meaning of the Private Securities Litigation Reform Act of 1995. This information involves risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. In this Form 10-K, (a) “FY” means fiscal year; thus for example, FY23 refers to the fiscal year ended January 31, 2023 and (b) “Q” refers to a quarter; thus, for example, Q4 FY23 refers to the fourth quarter of the fiscal year ended January 31, 2023.

Overview

We manufacture and sell a comprehensive line of industrial protective clothing and accessories for the industrial and public protective clothing market. Our products are sold globally by our in-house sales teams, our customer service group, and authorized independent sales representatives to a network of over 1,600 global safety and industrial supply distributors. Our authorized distributors supply end users, such as integrated oil, chemical/petrochemical, automobile, steel, glass, construction, smelting, cleanroom, janitorial, pharmaceutical, and high technology electronics manufacturers, as well as scientific, medical laboratories and the utilities industry. In addition, we supply federal, state and local governmental agencies and departments, such as fire and law enforcement, airport crash rescue units, the Department of Defense, the Department of Homeland Security and the Centers for Disease Control. Internationally, we sell to a mixture of end users directly and to industrial distributors depending on the particular country and market. In addition to the United States, sales are made to more than 50 foreign countries, the majority of which were into China, countries within the European Economic Community (“EEC”), Canada, Chile, Argentina, Russia, Kazakhstan, Colombia, Mexico, Ecuador, India, Middle East and countries within Southeast Asia.

We had net sales of \$112.8 million in FY23 and \$118.4 million in FY22.

We have operated facilities in Mexico since 1995 and in China since 1996. Beginning in 1995, we moved the labor intensive sewing operation for our limited use/disposable protective clothing lines to these facilities. Our facilities and capabilities in China and Mexico allow access to a less expensive labor pool than is available in the United States and permit us to purchase certain raw materials at a lower cost than they are available domestically. During FY23, the Company was impacted by tariff costs on certain products imported from China. The Company has been able to pass along a portion of these costs to its customers. We added manufacturing operations in Vietnam and India in fiscal 2019 to offset increasing manufacturing costs in China and further diversify our manufacturing capabilities. Our China operations will continue primarily manufacturing for the Chinese market and other markets where duty advantages exist. Manufacturing expansion is not only necessary to control rising costs, it is also necessary for Lakeland to achieve its growth objectives.

Our net sales attributable to customers outside the United States were \$63.9 million and \$70.8 million for the fiscal years ended January 31, 2023 and 2022, respectively.

On December 2, 2022, we acquired UK-based Eagle Technical Products Limited (“Eagle”) in an all-cash transaction valued at approximately \$10.5 million subject to post-closing adjustments and potential future earnout payments. The acquisition enhances Lakeland’s product portfolio, particularly within fire service protective clothing and expands its sales presence in the Middle East and Europe. Headquartered in Manchester, UK, Eagle is a leading designer and provider of protective apparel to the fire and industrial sectors. Eagle provides differentiated product offerings through its innovative and technical solutions.

The cost to manufacture and distribute our products is influenced by the cost of raw materials, finished goods, labor, and transportation. During FY23, we have experienced continued inflationary pressure and higher costs as a result of the increasing cost of raw materials, finished goods, labor, transportation, and other administrative costs associated with the normal course of business. The increase in cost of raw materials and finished goods are due in part to a shortage in the availability

of certain products, the higher cost of shipping, and inflation. We can only pass elevated costs onto customers in an effort to offset inflationary pressures on a limited basis. Future volatility of general price inflation and the impact of inflation on costs and availability of materials, costs for shipping and warehousing and other operational overhead could adversely affect our financial results.

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Impact of Russia's Invasion of Ukraine on Our Business

The current conflict between Russia and Ukraine is creating substantial uncertainty about the role Russia will play in the global economy in the future. Although the length, impact and outcome of the ongoing military conflict between Russia and Ukraine is highly unpredictable, this conflict could lead to significant market and other disruptions. The escalation or continuation of this conflict presents heightened risks and has resulted and could continue to result in volatile commodity markets, supply chain disruptions, increased risk of cyber incidents or other disruptions to information systems, heightened risks to employee safety, significant volatility of the Russian ruble, limitations on access to credit markets, increased operating costs (including fuel and other input costs), the frequency and volume of failures to settle securities transactions, inflation, potential for increased volatility in commodity, currency and other financial markets, safety risks, and restrictions on the transfer of funds to and from Russia. We cannot predict how and the extent to which the conflict will affect our customers, operations or business partners or the demand for our products and our global business. Depending on the actions we take or are required to take, the ongoing conflict could also result in loss of cash, assets or impairment charges. Additionally, we may also face negative publicity and reputational risk based on the actions we take or are required to take as a result of the conflict, which could damage our brand image or corporate reputation. We are continually monitoring the potential financial impact of the Russian invasion of Ukraine on our operations.

Our business in Russia accounted for approximately 2.4% and 2.5% of our consolidated net revenues and 1.9% and 3.0% of our net income for the years ended January 31, 2023 and 2022, respectively. Our assets in Russia were approximately 2.5% and 2.1% of our consolidated assets at January 31, 2023 and 2022, respectively. The net book value of our assets in Russia at January 31, 2023 was approximately \$3.5 million of which \$1.3 million is cash. We currently have not recognized any impairment charges related to the assets of our Russian business. However, the extent, severity, duration and outcome of the conflict between Russia and Ukraine and related sanctions could potentially impact the value of our assets in Russia as the conflict continues. Our Russian business is part of our Other Foreign segment.

Our sales into Ukraine were not significant.

COVID-19

The COVID-19 pandemic has had, and continues to have, a significant impact around the world, prompting governments and businesses to take unprecedented measures, such as restrictions on travel and business operations, temporary closures of businesses, and quarantine and shelter-in-place orders. The COVID-19 pandemic has at times significantly curtailed global economic activity and caused significant volatility and disruption in global financial markets. The COVID-19 pandemic and the measures taken by many countries in response have affected and could in the future materially impact the Company's business, results of operations and financial condition.

Certain of the Company's materials suppliers and logistical service providers have experienced disruptions during the COVID-19 pandemic, resulting in supply shortages. Similar disruptions could occur in the future.

Critical Accounting Policies and Estimates

Revenue Recognition. Substantially all the Company's revenue is derived from product sales, which consist of sales of the Company's personal protective wear products to distributors. The Company considers purchase orders to be a contract with a customer. Contracts with customers are considered to be short-term when the time between order confirmation and satisfaction of the performance obligations is equal to or less than one year, and virtually all of the Company's contracts are short-term. The Company recognizes revenue for the transfer of promised goods to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company typically satisfies its performance obligations in contracts with customers upon shipment of the goods. Generally, payment is due from customers within 30 to 90 days of the invoice date, and the contracts do not have significant financing components. The Company elected to account for shipping and handling activities as a fulfillment cost rather than a separate performance obligation. Shipping and handling costs associated with outbound freight are included in operating expenses, and for the years ended in FY23 and FY22 aggregated approximately \$3.2 million and \$2.9 million, respectively. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenue.

The transaction price includes estimates of variable consideration, related to rebates, allowances, and discounts that are reductions in revenue. All estimates are based on the Company's historical experience, anticipated performance, and the Company's best judgment at the time the estimate is made. Estimates for variable consideration are reassessed each reporting period and are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur upon resolution of uncertainty associated with the variable consideration. All the Company's contracts have a single performance obligation satisfied at a point in time and the transaction price is stated in the contract, usually as quantity times price per unit.

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Inventories. Inventories include freight-in, materials, labor and overhead costs and are stated at the lower of cost (on a first-in, first-out or moving average basis) or net realizable value. Allowances are recorded for slow-moving, obsolete or unusable inventory. We assess our inventory for estimated obsolescence or unmarketable inventory and write down the difference between the cost of inventory and the estimated net realizable value based upon assumptions about future sales and supply on-hand, if necessary. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required. In FY23 we recorded approximately \$1.3 million in write-downs of inventory and \$0.6 million in inventory adjustments in FY22.

Income Taxes. The Company is required to estimate its income taxes in each of the jurisdictions in which it operates as part of preparing the consolidated financial statements. This involves estimating the actual current tax in addition to assessing temporary differences resulting from differing treatments for tax and financial accounting purposes. These differences, together with net operating loss carryforwards and tax credits, are recorded as deferred tax assets or liabilities on the Company's consolidated balance sheet. A judgment must then be made of the likelihood that any deferred tax assets will be recovered from future taxable income. A valuation allowance may be required to reduce deferred tax assets to the amount that is more likely than not to be realized. In the event the Company determines that it may not be able to realize all or part of its deferred tax asset in the future, or that new estimates indicate that a previously recorded valuation allowance is no longer required, an adjustment to the deferred tax asset is charged or credited to income in the period of such determination. In FY23 and FY22, we recorded a valuation allowance of approximately \$0.4 million and \$0.8 million, respectively.

The Company recognizes tax positions that meet a "more likely than not" minimum recognition threshold. If necessary, the Company recognizes interest and penalties associated with tax matters as part of the income tax provision and would include accrued interest and penalties with the related tax liability in the consolidated balance sheets.

Business combinations. In accordance with the accounting guidance for business combinations, the Company uses the acquisition method of accounting to allocate costs of acquired businesses to the assets acquired and liabilities assumed based on their estimated fair values at the dates of acquisition. The excess of the purchase price over the estimated fair value of assets and liabilities is recorded as goodwill. Assigning fair market values to the assets acquired and liabilities assumed at the date of an acquisition requires knowledge of current market values, the values of assets in use, and often requires the application of judgment regarding estimates and assumptions.

While the ultimate responsibility resides with management, for material acquisitions we retain the services of certified valuation specialists to assist with assigning estimated values to certain acquired assets and assumed liabilities, including intangible assets, tangible long-lived assets, and contingent consideration. Acquired intangible assets, excluding goodwill, are valued using certain discounted cash flow methodologies based on future cash flows specific to the type of intangible asset purchased. Several significant assumptions and estimates were involved in the application of these valuation methods, including forecasted sales volumes and prices, royalty rates, costs to produce, tax rates, discount rates, attrition rates and working capital changes.

If the contingent consideration is deemed significant or absent an agreed upon payout amount, the initial measurement of contingent consideration and the corresponding liability is evaluated using the Monte Carlo Method. For this valuation method, management develops projections during the contingent consideration period utilizing various potential pay-out scenarios. Probabilities are applied to each potential scenario and the resulting values are discounted using a rate that considers weighted average cost of capital as well as a specific risk premium associated with the riskiness of the contingent consideration itself, the related projections, and the overall business. Should actual results increase or decrease as compared to the assumption used in our analysis, the fair value of the contingent consideration obligations will increase or decrease, up to the contracted limit, as applicable. Changes in the fair value of the contingent earn-out consideration could cause a material impact and volatility in our operating results.

Refer to Note 1, “Business and Summary of Significant Accounting Policies,” and Note 5, “Acquisitions,” to the consolidated financial statements in Item 8 of this Annual Report on Form 10-K for further information on the Company’s business acquisitions.

Net Income Per Share. Basic net income per share is based on the weighted average number of common shares outstanding without consideration of common stock equivalents. Diluted net income per share is based on the weighted average number of common shares and common stock equivalents. The diluted net income per share calculation takes into account unvested restricted shares and the shares that may be issued upon exercise of stock options and warrants, reduced by shares that may be repurchased with the funds received from the exercise, based on the average price during the fiscal year.

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Significant Balance Sheet Fluctuation January 31, 2023, as Compared to January 31, 2022

Cash decreased by \$28.1 million, primarily as a result of \$5.5 million of cash used in operations coupled with \$5.4 million in share repurchases, \$10.5 million for the acquisition of Eagle, \$3.1 million in equity investment and \$2.0 million in capital improvements. Operating cash flow changes were driven by an increase in accounts receivable of \$2.3 million due to timing of collections, increased sales in Q4 FY23 over Q4 FY22 and the acquisition of Eagle in December FY23. Excluding inventory acquired from Eagle, inventory increased \$9.7 million driven by investment in inventory to reduce the impact on our supply chain of a global slowdown in freight deliveries.

The Company has made strategic investments of \$6.1 million in Inova Design Solutions Ltd. (doing business as Bodytrak®) as a groundbreaking step toward entering the Connected Worker Market for “Smart PPE.” Bodytrak’s unique ear-based sensor platform uses precise physiological measurements and cloud-based analytics to automate health, safety and performance monitoring, making it an ideal complement to Lakeland’s portfolio of industrial protective solutions.

Results of Operations

The following tables set forth our external sales by our product lines, and geographic regions and our historical results of continuing operations as a percentage of our net sales from operations, for the years and three-months ended January 31, 2023 and 2022.

	Three Months Ended January 31, (Unaudited)		Year Ended January 31,	
	2023	2022	2023	2022
External Sales by Product Line:				
Disposables	\$ 13.9	\$ 14.1	\$ 55.2	\$ 67.2
Chemical	4.8	5.5	22.2	24.5
Fire	5.5	2.3	14.7	8.2
Gloves	0.5	0.5	2.3	2.2
High Visibility	1.2	1.8	5.8	5.6
High Performance Wear	1.2	0.9	5.0	3.6
Wovens	1.9	1.7	7.6	7.1
Consolidated external sales	\$ 29.0	\$ 26.8	\$ 112.8	\$ 118.4

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	Three Months Ended January 31, (Unaudited)		Year Ended January 31,	
	2023	2022	2023	2022
External Sales by region:				
USA	\$ 11.9	\$ 11.2	\$ 49.0	\$ 47.6
Other foreign	1.8	2.1	7.2	7.1
Europe (UK)	3.0	1.5	8.3	10.3
Mexico	0.8	0.8	3.7	4.1
Asia	5.6	7.4	24.7	29.8
Canada	2.1	1.4	9.1	8.2
Latin America	3.8	2.4	10.8	11.3
Consolidated external sales	\$ 29.0	\$ 26.8	\$ 112.8	\$ 118.4

	Three Months Ended January 31, (Unaudited)		Year Ended January 31,	
	2023	2022	2023	2022
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	62.5%	60.8%	59.4%	57.0%
Gross profit	37.5%	39.2%	40.6%	43.0%
Operating expenses	37.2%	35.0%	35.7%	29.5%
Operating profit	0.3%	4.2%	4.9%	13.6%
Other income, net	0.3%	0.5%	0.0%	0.1%

Interest expense	0.0%	0.0%	0.1%	0.0%
Income before tax	0.6%	4.7%	4.8%	13.7%
Income tax expense	(0.0%)	2.8%	3.2%	4.1%
Net income	0.6%	1.9%	1.6%	9.6%

Net Sales. Net sales decreased to \$112.8 million for the year ended January 31, 2023 compared to \$118.4 million for the year ended January 31, 2022, a decrease of \$5.6 million. Sales in the U.S. increased \$1.4 million or 2.9%, primarily due to increases in sales of fire gear coupled with improvements in direct container sales. Sales to the Asian market decreased by \$5.1 million or 17.1% due to the impacts of COVID-19 on demand, including shutdowns in China and the absence of typical year-end stocking ahead of the Chinese New Year due to the country’s “Zero COVID Policy.” Sales to the European market decreased by \$2.0 million or 19.4%, driven by reduced demand across Europe and a stronger dollar impact offset by Eagle sales of \$1.3 million in Q4 FY23. Canada sales increased by \$0.9 million or 11.0% due to improvements in the industrial markets. Latin America sales decreased \$0.5 million or 4.4% due to weaker local currency, primarily the Argentine peso. Sales into the Mexican market decreased by \$0.4 million or 9.8%, driven by weaker industrial demand at the beginning of FY23. Sales of our disposable and chemical product line were impacted due to a reduction in COVID-19 demand, primarily in Asia and uneven demand from our industrial markets. Other product lines, such as fire, high performance, and wovens, increased by \$8.7 million due to strengthening demand in those markets and the impact of Eagle’s sales during the last two months of our fiscal year. Sales were affected by customers over-ordering in prior periods, resulting in excess channel inventories and shipping delays with ocean freight carriers.

Gross Profit. Gross profit decreased \$5.1 million, or 10.0%, to \$45.8 million for the year ended January 31, 2023, from \$50.9 million for the year ended January 31, 2022. Gross profit as a percentage of net sales decreased to 40.6% for the year ended January 31, 2023 from 43.0% for the year ended January 31, 2022. Gross profit performance in FY22 benefited from higher volumes including direct container shipments, related factory utilization and an improving product mix with pricing power. Major factors driving the decline in gross margins in FY23, were:

- Inflationary pressure on certain materials
- Stronger dollar impacting revenue in key Asian and Latin American markets
- Pricing pressure on non-strategic products
- Writedown of the carrying value of certain inventory as freight rates declined toward year-end

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Operating Expense. Operating expenses increased 15.6% from \$34.9 million for the year ended January 31, 2022 to \$40.3 million for the year ended January 31, 2023. Operating expenses as a percentage of net sales were 35.7% for the year ended January 31, 2023, as compared to 29.5% for the year ended January 31, 2022. Operating expenses increased primarily due to increases in currency translation expense of \$1.9 million, acquisition costs associated with the Eagle transaction of \$0.6 million, restructuring costs of \$0.4 million, increased outbound freight of \$0.3 million, administrative costs associated with the start-up of the Monterrey, Mexico facility of \$0.2 million, and increases in professional expenses, primarily legal and accounting, to support future initiatives.

Operating Profit. Operating profit decreased to \$5.5 million for the year ended January 31, 2023, from \$16.0 million for the year ended January 31, 2022, due to the impacts detailed above. Operating margin decreased to 4.9% for the year ended January 31, 2023, compared to 13.6% for the year ended January 31, 2022.

Interest Expense. Interest expenses was less than \$0.1 million for the year ended January 31, 2023 compared to \$0.1 million for the year ended January 31, 2022. The Company did not drawdown any of its available line of credit during FY23.

Income Tax Expense. Income tax expense consists of federal, state and foreign income taxes. Income tax expense was \$3.6 million and included \$0.2 million associated with the GILTI component of the Tax Act of 2017 for the year ended January 31, 2023, as compared to an income tax expense of \$4.8 million and included \$0.7 million associated with the GILTI component of the Tax Act of 2017 for the year ended January 31, 2022. All international subsidiaries impacted the GILTI component of income tax expense. The Company changed its permanent reinvestment assertions for its Chinese operations during the second quarter due to increased volatility of the Chinese yuan and an updated evaluation of investment strategies. The Company recorded \$2.0 million in withholding taxes for a planned repatriation during FY23.

Net Income. Net income decreased to \$1.9 million for the year ended January 31, 2023 from \$11.4 million for the year ended January 31, 2022.

Fourth Quarter Results

Net sales and net income were \$29.0 million and \$0.6 million, respectively, for Q4 FY23, as compared to \$26.8 million and \$0.5 million, respectively, for Q4 FY22.

Factors affecting Q4 FY23 results of operations included:

- Improvement in sales primarily in the fire and industrial markets and due to the Eagle acquisition
- Pricing pressure on non-strategic products
- Margins were negatively impacted by product mix and currency and the write-down of the carrying value of certain inventory as freight rates declined toward year-end

Liquidity and Capital Resources

At January 31, 2023, cash and cash equivalents were approximately \$24.6 million and working capital was approximately \$87.0 million. Cash and cash equivalents decreased \$28.1 million and working capital decreased \$21.6 million from January 31, 2022 reflecting the impact of the Company’s purchase of Eagle, additional investment in Bodytrak and stock repurchases.

Of the Company’s total cash and cash equivalents of \$24.6 million as of January 31, 2023, cash held in Latin America of \$1.8 million, cash held in Hong Kong of \$0.7 million, cash held in the UK of \$2.4 million, cash held in Vietnam of \$0.8 million, cash held in India of \$0.7 million and cash held in Canada of \$1.0 million would not be subject to additional US tax in the event such cash was repatriated due to the change in the U.S. tax law as a result of the 2017 Tax Cuts and Jobs Act (the “Tax Act”). The Company monitors its financial depositories by their credit rating which varies by country. In addition, cash balances in banks in the United States are insured by the FDIC subject to certain limitations. There was approximately \$1.3 million total included in the U.S. bank accounts and approximately \$23.5 million total in foreign bank accounts as of January 31, 2023, of which \$24.1 million was uninsured. These balances could be impacted if one or more of the financial institutions with which the Company deposits its funds fails or is subject to other adverse conditions in the financial or credit markets. To date, the Company has experienced no loss of principal or lack of access to invested cash or cash equivalents; however, we can provide no assurance that access to our invested cash and cash equivalents will not be affected if the financial institutions that hold the Company’s cash and cash equivalents fail. See Part I, Item 1A. Risk Factors in this Annual Report on Form 10-K under the caption “Adverse developments affecting the financial services industry, including events or concerns involving liquidity, defaults or non-performance by financial institutions or transactional counterparties, could adversely affect our business, financial condition or results of operations.”

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The Company strategically employs an intercompany dividend plan subject to subsidiary profitability, cash requirements and withholding taxes. During FY23 the Company changed its' permanent reinvestment assertions for its Chinese operations due to increased volatility of the Chinese yuan and an updated evaluation of investment strategies. During FY23 the Company's subsidiaries in Canada, China and Hong Kong declared and paid dividends of \$1.0 million, \$12.5 million and \$2.0 million. Withholding taxes totaling \$2.0 million are included in income tax expense.

Net cash used in operating activities of \$5.5 million for the year ended January 31, 2023 was primarily due to an increase in net inventories of \$9.7 million and an increase in accounts receivable of \$2.3 million due to stronger Q4 FY23 sales, partially offset by non-cash expenses of \$3.6 million for deferred taxes, depreciation and amortization, and stock compensation. Net cash used in investing activities of \$16.5 million for the year ended January 31, 2023 includes the \$10.5 million Eagle acquisition and reflects the Company's \$3.1 million investment in Bodytrak®. Purchases of property and equipment were \$2.0 million as the Company increased capital expenditures in the year for the ERP project and equipment purchases in Mexico and Vietnam. Net cash used in financing activities was \$5.9 million for the year ended January 31, 2023 primarily due to the purchase of \$5.4 million of our common stock.

Net cash provided by operating activities of \$12.8 million for the year ended January 31, 2022 was primarily due to net income of \$11.4 million, non-cash expenses of \$4.3 million for deferred taxes, depreciation and amortization, and stock compensation, and a decrease in accounts receivable due to lower sales activity of \$6.7 million offset by an increase in net inventories of \$4.4 million and a decrease in accounts payable, accrued expenses and other liabilities of \$5.2 million due to lower sales volume. Net cash used in investing activities of \$3.6 million for the year ended January 31, 2022 reflects the Company's \$2.8 million investment in Bodytrak® as a groundbreaking step toward entering the Connected Worker Market for "Smart PPE." Purchases in property and equipment were \$0.8 million as the Company made capital expenditures in the year for the ERP project, leasehold improvements for our new corporate headquarters, and equipment purchases in Mexico and China. Net cash used in financing activities was \$9.8 million for the year ended January 31, 2022 due to the purchase of \$9.2 million of our common stock.

On June 25, 2020, we entered into a Loan Agreement (the "Loan Agreement") with Bank of America ("Lender"). The Loan Agreement provides the Company with a secured \$12.5 million revolving credit facility, which includes a \$5.0 million letter of credit sub-facility. The Company may request from time to time an increase in the revolving credit loan commitment of up to \$5.0 million (for a total commitment of up to \$17.5 million). Borrowing pursuant to the revolving credit facility is subject to a borrowing base amount calculated as (a) 80% of eligible accounts receivable, as defined, plus (b) 50% of the value of acceptable inventory, as defined, minus (c) certain reserves as the Lender may establish for the amount of estimated exposure, as reasonably determined by the Lender from time to time, under certain interest rate swap contracts. The borrowing base limitation only applies during periods when the Company's quarterly funded debt to EBITDA ratio, as defined, exceeds 2.00 to 1.00. The credit facility will mature on June 25, 2025. Borrowings under the revolving credit facility bear interest at a rate per annum equal to the sum of the LIBOR Daily Floating Rate ("LIBOR"), plus 125 basis points. LIBOR is subject to a floor of 100 basis points. On March 3, 2023 the Company changed the benchmark interest rate in our credit facility from the LIBOR to the Secured Overnight Financing Rate ("SOFR"). All outstanding principal and unpaid accrued interest under the revolving credit facility is due and payable on the maturity date. On a one-time basis, and subject to there not existing an event of default, the Company may elect to convert up to \$5.0 million of the then outstanding principal of the revolving credit facility to a term loan facility with an assumed amortization of 15 years and the same interest rate and maturity date as the revolving credit facility. The Loan Agreement provides for an annual unused line of credit commitment fee, payable quarterly, of 0.25%, based on the difference between the total credit line commitment and the average daily amount of credit outstanding under the facility during the preceding quarter.

On June 18, 2021, the Company entered into an Amendment No. 1 to Loan Agreement (the "Amendment") with the Lender, which modifies certain terms of the Company's existing Loan Agreement with the Lender. The Amendment increases the credit limit under the Loan Agreement's senior secured revolving credit facility from \$12.5 million to \$25.0 million. The Amendment also amends the covenant in the Loan Agreement that restricts acquisitions by the Company or its subsidiaries in order to allow, without the prior consent of the Lender, acquisitions of a business or its assets if there is no default under the Loan Agreement and the aggregate consideration does not exceed \$7.5 million for any individual acquisition or \$15.0 million on a cumulative basis for all such acquisitions.

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The Loan Agreement requires the Company to maintain a Funded Debt to EBITDA (as each such term is defined in the Loan Agreement) ratio of 3.0 to 1.0 or less and a Basic Fixed Charge Coverage Ratio (as defined in the Loan Agreement) of at least 1.15 to 1.0. The Loan Agreement also contains customary covenants, including covenants that, among other things, limit or restrict the Company's and/or the Company's subsidiaries ability, subject to certain exceptions and qualifications, to incur liens or indebtedness, or merge, consolidate or sell or otherwise transfer assets. The Company was in compliance with all of its debt covenants as of January 31, 2023. As of January 31, 2023, the Company had no borrowings under the Loan Agreement, and there was \$25 million of additional available credit under the Loan Agreement.

We believe that our current cash, cash equivalents, borrowing capacity under our Loan Agreement and the cash to be generated from expected product sales will be sufficient to meet our projected operating and investing requirements for at least the next twelve months. However, our liquidity assumptions may prove to be incorrect, and we could utilize our available financial resources sooner than we currently expect.

Stock Repurchase Program. On February 17, 2021, the Company's board of directors approved a stock repurchase program under which the Company may repurchase up to \$5 million of its outstanding common stock. On July 6, 2021, the Board of Directors authorized an increase in the Company's stock repurchase program under which the Company may repurchase up to an additional \$5 million of its outstanding common stock. On April 7, 2022, the Board of Directors authorized a new stock repurchase program under which the Company may repurchase up to \$5 million of its outstanding common stock which became effective upon the completion of the prior share repurchase program. On December 1, 2022, the Board of Directors authorized an increase in the Company's stock repurchase program, under which the Company may repurchase up to an additional \$5 million of its outstanding common stock.

Shares repurchased in FY23 totaled 390,989 shares at a cost of \$5.4 million leaving \$5.4 million remaining under the share repurchase program at January 31, 2023. The share repurchase program has no expiration date but may be terminated by the Board of Directors at any time.

On February 1, 2023, the Board of Directors declared a quarterly cash dividend as part of the initiation of a recurring quarterly dividend program. The initial quarterly dividend of \$0.03 per share was paid on February 22, 2023, to stockholders of record as of February 15, 2023.

Capital Expenditures. Our capital expenditures for FY23 of \$2.0 million principally relate to our capital purchases for our manufacturing facilities in Vietnam, the enhancement of IT infrastructure, and equipment purchases supporting the new manufacturing facility under development in Monterey, Mexico. We anticipate FY24 capital expenditures to be approximately \$3.0 million as we continue to deploy our ERP solution globally, complete the new manufacturing facility in Monterrey, Mexico, and replace existing equipment in the normal course of operations. We expect to fund the capital expenditures from our cash flow from operations.

Recently Adopted and Recently Issued Accounting Standards

No recently issued accounting pronouncements had or are expected to have a material impact on the Company's consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, the Company is not required to provide the information required by this Item and therefore, no disclosure is required under Item 7A for the Company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**Index to Consolidated Financial Statements**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Lakeland Industries, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Lakeland Industries, Inc. and subsidiaries (the "Company") as of January 31, 2023 and 2022, the related statements of income, comprehensive income, stockholders' equity, and cash flows, for each of the two years in the period ended January 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended January 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 17, 2023, expressed an adverse opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

Inventories – Refer to Notes 1 and 2 to the financial statements***Critical Audit Matter Description***

The Company's inventory includes costs to acquire and produce the goods and is stated at the lower of cost or net realizable value on a first-in, first-out method (FIFO). The assessment of estimated obsolescence or unmarketable inventory involved judgment and is based upon assumptions about future sales and supply on-hand for certain inventory items. Total inventory of approximately \$58 million is in part composed of products which were deemed to be slow moving based on historical inventory turns and sales history. An excess and obsolete adjustment of approximately \$4.7 million was recorded by the Company.

Given the significant judgments made by management to evaluate the net realizable value of certain of its inventory products, performing audit procedures to evaluate the reasonableness of management's assumptions related to those inventory adjustments required a high degree of auditor judgment and an increased extent of effort.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to valuation of slow moving, excess and obsolete inventory included, among others:

- We tested the effectiveness of controls over management's process to evaluate the need for adjustments for its slow-moving, obsolete or unusable inventory.
- We tested the mathematical accuracy of management's estimates of the net realizable value for slow-moving, obsolete or unusable inventory.
- We evaluated management's judgments as to the historical lookback period utilized in determining slow-moving, obsolete or unusable inventory.

We evaluated the valuation of slow moving, excess and obsolete inventory in relation to:

- Historical results and actions
- Communications between management and the board of directors
- Industry information related to the market for these products
- Subsequent events

Acquisitions — Eagle Technologies —Intangible Assets & Contingent Consideration — Refer to Notes 1 and 5 to the financial statements

Critical Audit Matter Description

The Company completed the acquisition of Eagle Technologies for \$15.1 million (inclusive of estimated contingent consideration) on December 2, 2022. The Company accounted for the acquisition under the acquisition method of accounting for business combinations. Accordingly, the Company allocated the purchase price, on a preliminary basis, to the assets acquired and liabilities assumed based on their estimated fair values. The Company recorded approximately \$13.7 million of intangible assets, including \$7.6 million of goodwill as of the acquisition date. Additionally, the Company recorded within the account Accrued Earnout Agreement an estimated contingent consideration liability of \$3.2 million.

Acquired intangible assets, excluding goodwill, were valued using certain discounted cash flow methods based on future cash flows specific to the type of intangible asset acquired. Several significant assumptions and estimates were involved in the application of these valuation methods, including forecasted revenue growth rates, EBITDA margins and resulting forecasted cash flows as well as royalty rate and discount rate. Management estimated the fair value of the contingent consideration using the Monte Carlo Method. For this valuation method, management develops projections during the contingent consideration period utilizing various potential pay-out scenarios. Probabilities are applied to each potential scenario and the resulting values are discounted using a rate that considers weighted average cost of capital as well as a specific risk premium associated with the riskiness of the contingent consideration itself, the related projections, and the overall business.

Given the fair value determination of the contingent consideration and intangible assets for Eagle Technologies requires management to make significant estimates and assumptions related to the forecasts of revenue and future cash flows and the selection of the discount rate and royalty rate, performing audit procedures to evaluate the reasonableness of these estimates and assumptions required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

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How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the forecasts of future cash flows, the selection of valuation methodologies utilized, the selection of the royalty rate and discount rate for the intangible assets and the selection of the discount rate for the contingent consideration liability included the following, among others:

- We evaluated the design and operating effectiveness of controls over the valuation of the intangible assets and contingent consideration, including management’s controls over forecasts of future cash flows and selection of the royalty and discount rates.
- We assessed the reasonableness of management’s forecasts of future revenues and cash flows by comparing the projections to historical results, actual results to date, contractual revenue agreements in place, and relevant industry reports and evaluated whether the estimated future cash flows were consistent with evidence obtained in other areas of the audit.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodologies and (2) the valuation assumptions used in the fair value analyses by:
 - Testing the source information underlying the determination of the discount and royalty rates.
 - Comparing the selected royalty rate to market data for comparable rates.
 - Testing the mathematical accuracy of the calculation of the discount and royalty rates.
 - Developing a range of independent estimates for the discount rates and comparing those to the discount rates selected by management.
 - Evaluating the reasonableness of the Monte Carlo methodology utilized, the inputs used in the contingent consideration valuation, and other key judgments made by management as well as independently running the probability-weighted scenario analysis to calculate an independent estimate of fair value.

/s/ Deloitte & Touche LLP

Memphis, Tennessee

April 17, 2023

We have served as the Company's auditor since 2020.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Lakeland Industries, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Lakeland Industries, Inc. and subsidiaries (the “Company”) as of January 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, because of the effect of the material weakness identified below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of January 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended January 31, 2023, of the Company and our report dated April 17, 2023, expressed an unqualified opinion on those financial statements.

As described in Management’s Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Eagle Technical Products Limited, which was acquired on December 2, 2022, and whose financial statements constitute 1% and 3% of net and total assets, respectively, 1% of revenues, and 12% of net income of the consolidated financial statement amounts as of and for the year ended January 31, 2023. Accordingly, our audit did not include the internal control over financial reporting at Eagle Technical Products Limited.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management’s assessment: the Company did not design, implement, and/or consistently operate effective controls over its foreign subsidiary currency translation or remeasurement to ensure the foreign subsidiary’s account balances were accurately stated in the consolidated financial statements. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended January 31, 2023, of the Company, and this report does not affect our report on such consolidated financial statements.

/s/ Deloitte & Touche LLP

Memphis, Tennessee
April 17, 2023

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Lakeland Industries, Inc. and Subsidiaries CONSOLIDATED STATEMENTS OF INCOME For the Years Ended January 31, 2023 and 2022 (\$000's) except share information

	2023	2022
Net sales	\$ 112,846	\$ 118,386
Cost of goods sold	66,997	67,473
Gross profit	45,849	50,913
Operating expenses	40,308	34,866
Operating profit	5,541	16,047
Other income (expense), net	(33)	121
Interest expense	(37)	(15)
Income before taxes	5,471	16,153
Income tax expense	3,598	4,781
Net income	\$ 1,873	\$ 11,372
Net income per common share:		
Basic	\$ 0.25	\$ 1.44
Diluted	\$ 0.24	\$ 1.41
Weighted average common shares outstanding:		

Basic	7,562,187	7,900,131
Diluted	7,737,963	8,053,876

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

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Lakeland Industries, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Years Ended January 31, 2023 and 2022
(\$000)'s

	2023	2022
Net income	\$ 1,873	\$ 11,372
Other comprehensive income:		
Foreign currency translation adjustments	(2,193)	114
Comprehensive income (loss)	<u>\$ (320)</u>	<u>\$ 11,486</u>

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

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Lakeland Industries, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
January 31, 2023 and 2022
(\$000's) except share information

ASSETS

	2023	2022
Current assets		
Cash and cash equivalents	\$ 24,639	\$ 52,719
Accounts receivable, net of allowance for doubtful accounts of \$800 and \$666 at January 31, 2023 and 2022, respectively	17,296	14,771
Inventories	58,176	47,711
Prepaid VAT and other taxes	1,963	1,675
Income tax receivable and other current assets	2,908	3,770
Total current assets	104,982	120,646
Property and equipment, net	9,140	8,714
Operating leases right-of-use assets	5,472	5,296
Deferred tax assets	2,764	2,072
Other assets	100	490
Goodwill	8,473	871
Intangible assets, net	6,042	-
Investments	5,354	2,704
Total assets	<u>\$ 142,327</u>	<u>\$ 140,793</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities		
Accounts payable	\$ 6,558	\$ 5,855
Accrued compensation and benefits	2,522	3,225
Other accrued expenses	4,068	1,372
Income tax payable	-	321
Short-term borrowings	405	—
Accrued earnout agreement	3,182	—
Current portion of operating lease liability	1,253	1,242
Total current liabilities	17,988	12,015
Deferred income taxes	769	-
Long-term portion of operating lease liability	3,580	3,678
Total liabilities	22,337	15,693
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.01 par; authorized 1,500,000 shares (none issued)	—	—
Common stock, \$0.01 par; authorized 20,000,000 shares, Issued 8,655,699 and 8,555,672; outstanding 7,325,005 and 7,615,967 at January 31, 2023 and 2022, respectively	87	86
Treasury stock, at cost; 1,330,694 and 939,705 shares at January 31, 2023 and 2022, respectively	(19,646)	(14,206)
Additional paid-in capital	78,475	77,826
Retained earnings	64,765	62,892
Accumulated other comprehensive loss	(3,691)	(1,498)
Total stockholders' equity	119,990	125,100
Total liabilities and stockholders' equity	<u>\$ 142,327</u>	<u>\$ 140,793</u>

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

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Lakeland Industries, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended January 31, 2023 and 2022

	Common Stock		Treasury Stock		Additional	Retained	Accumulated	
	Shares	Amount	Shares	Amount	Paid-in	Earnings	Other	Total
		(\$000's)		(\$000's)	Capital	(\$000's)	Comprehensive	(\$000's)
					(\$000's)		Loss	(\$000's)
Balance, January 31, 2021	8,498,457	\$ 85	(509,242)	\$ (5,023)	\$ 76,781	\$ 51,520	\$ (1,612)	\$ 121,751
Net Income	-	-	-	-	-	11,372	-	11,372
Other comprehensive loss	-	-	-	-	-	-	114	114
Stock-based compensation:								
Restricted stock issued	57,215	1	-	-	-	-	-	1
Restricted stock plan	-	-	-	-	1,667	-	-	1,667
Return of shares in lieu of payroll tax withholding	-	-	-	-	(622)	-	-	(622)
Treasury stock purchased	-	-	(430,463)	(9,183)	-	-	-	(9,183)
Balance, January 31, 2022	8,555,672	\$ 86	(939,705)	\$ (14,206)	\$ 77,826	\$ 62,892	\$ (1,498)	\$ 125,100
Net Income	-	-	-	-	-	1,873	-	1,873
Other comprehensive income	-	-	-	-	-	-	(2,193)	(2,193)
Stock-based compensation:								
Restricted stock issued	100,027	1	-	-	-	-	-	1
Restricted stock plan	-	-	-	-	1,491	-	-	1,491
Return of shares in lieu of payroll tax withholding	-	-	-	-	(842)	-	-	(842)
Treasury stock purchased	-	-	(390,989)	(5,440)	-	-	-	(5,440)
Balance, January 31, 2023	8,655,699	\$ 87	(1,330,694)	\$ (19,646)	\$ 78,475	\$ 64,765	\$ (3,691)	\$ 119,990

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Lakeland Industries, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended January 31, 2023 and 2022
(\$000's)

	2023	2022
Cash flows from operating activities:		
Net income	\$ 1,873	\$ 11,372
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Provision for (recovery of) doubtful accounts	134	(34)
Deferred income taxes	75	659
Depreciation and amortization	1,505	1,868
Stock based and restricted stock compensation	1,491	1,667
(Gain) loss on disposal of property and equipment	(6)	39
Equity in (earnings) loss of equity investment	411	79
(Increase) decrease in operating assets:		
Accounts receivable	(2,278)	6,732
Inventories	(9,710)	(4,413)
Prepaid VAT and other taxes	(260)	(333)
Other current assets	1,478	271
Increase (decrease) in operating liabilities:		
Accounts payable	36	(1,533)
Accrued expenses and other liabilities	69	(3,178)
Operating lease liabilities	(269)	(411)
Net cash (used in) provided by operating activities	(5,451)	12,785
Cash flows from investing activities:		
Purchases of property and equipment	(1,985)	(801)
Acquisition, net of cash acquired	(9,722)	-
Investments	(3,061)	(2,783)
Net cash used in investing activities	(14,768)	(3,584)
Cash flows from financing activities:		
Short term borrowings	405	—
Purchase of Treasury Stock under stock repurchase program	(5,439)	(9,183)
Shares returned to pay employee taxes under restricted stock program	(842)	(622)
Net cash used in financing activities	(5,876)	(9,805)
Effect of exchange rate changes on cash and cash equivalents	(1,985)	727
Net (decrease) increase in cash and cash equivalents	(28,080)	123
Cash and cash equivalents at beginning of year	52,719	52,596
Cash and cash equivalents at end of year	\$ 24,639	\$ 52,719
Cash paid for interest	\$ 37	\$ 15
Cash paid for taxes	\$ 3,151	\$ 5,315
Noncash investing and financing activities		

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Lakeland Industries, Inc. and Subsidiaries (“Lakeland,” the “Company,” “we,” “our” or “us”), a Delaware corporation organized in April 1986, manufacture and sell a comprehensive line of industrial protective clothing and accessories for the industrial and public protective clothing market. Our products are sold globally by our in-house sales teams, our customer service group, and authorized independent sales representatives to a network of over 1,600 global safety and industrial supply distributors. Our authorized distributors supply end users, such as integrated oil, chemical/petrochemical, automobile, steel, glass, construction, smelting, cleanroom, janitorial, pharmaceutical, and high technology electronics manufacturers, as well as scientific, medical laboratories and the utilities industry. In addition, we supply federal, state and local governmental agencies and departments, such as fire and law enforcement, airport crash rescue units, the Department of Defense, the Department of Homeland Security and the Centers for Disease Control. Internationally, we sell to a mixture of end users directly and to industrial distributors depending on the particular country and market. Sales are made to more than 50 countries, the majority of which were into China, countries within the European Economic Community (“EEC”), Canada, Chile, Argentina, Russia, Kazakhstan, Colombia, Mexico, Ecuador, India, Middle East and countries within Southeast Asia. For purposes of this Form 10-K, FY refers to a fiscal year ended January 31; for example, FY23 refers to the fiscal year ended January 31, 2023.

Basis of Presentation

The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). We have reclassified certain prior year amounts to conform to current year presentation. The following is a description of the Company’s significant accounting policies.

Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates and Assumptions

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. It is reasonably possible that events could occur during the upcoming year that could change such estimates.

Cash and Cash Equivalents

The Company considers highly liquid temporary cash investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist of money market funds.

Accounts Receivable, Net. Trade accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company estimates credit losses by considering historical credit losses, the current economic environment, customer credit ratings or bankruptcies.

Inventories

Inventories include freight-in, materials, labor and overhead costs and are stated at the lower of cost (on a first-in, first-out or moving average basis) or net realizable value. Adjustments are recorded for slow-moving, obsolete or unusable inventory. We assess our inventory for estimated obsolescence or unmarketable inventory and write down the difference between the cost of inventory and the estimated net realizable value based upon assumptions about future sales and supply on hand, if necessary. If actual market conditions are less favorable than those projected by management, additional inventory adjustments may be required.

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Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line basis. Leasehold improvements and leasehold costs are amortized over the term of the lease or service lives of the improvements, whichever is shorter. The costs of additions and improvements which substantially extend the useful life of a particular asset are capitalized. Repair and maintenance costs are charged to expense. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the account, and the gain or loss on disposition is reflected in operating income.

Assets held for sale are measured at the lower of carrying value or fair value less cost to sell. Gains or losses are recognized for any subsequent changes to fair value less cost to sell. However, gains are limited to cumulative losses previously recognized. Assets classified as held for sale are not depreciated.

Impairment of Long-Lived Assets

The Company evaluates the carrying value of long-lived assets to be held and used when events or changes in circumstances indicate the carrying value may not be recoverable. The Company measures any potential impairment on a projected undiscounted cash flow method. Estimating future cash flows requires the Company’s management to make projections that can differ materially from actual results. The carrying value of a long-lived asset is considered impaired when the total projected undiscounted cash flows from the asset is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset.

Business combinations

In accordance with the accounting guidance for business combinations, the Company uses the acquisition method of accounting to allocate costs of acquired businesses to the assets acquired and liabilities assumed based on their estimated fair values at the dates of acquisition. The excess of the purchase price over the estimated fair value of assets and liabilities is recorded as goodwill. Assigning fair market values to the assets acquired and liabilities assumed at the date of

acquisition requires knowledge of current market values and the values of assets in use and often require the application of judgment regarding estimates and assumptions. While the ultimate responsibility resides with management for material acquisitions, we retain the services of certified valuation specialists to assist with assigning estimated values to certain acquired assets and assumed liabilities, including intangible assets, tangible long-lived assets, and contingent consideration. Acquired intangible assets, excluding goodwill, are valued using certain discounted cash flow methodologies based on future cash flows specific to the type of intangible asset purchased. Several significant assumptions and estimates were involved in the application of these valuation methods, including forecasted sales volumes and prices, royalty rates, costs to produce, tax rates, discount rates, attrition rates and working capital changes.

If the contingent consideration is deemed significant or absent an agreed-upon payout amount, the initial measurement of contingent consideration and the corresponding liability is evaluated using the Monte Carlo Method. For this valuation method, management develops projections during the contingent consideration period utilizing various potential pay-out scenarios. Probabilities are applied to each potential scenario, and the resulting values are discounted using a rate that considers the weighted average cost of capital as well as a specific risk premium associated with the riskiness of the contingent consideration itself, the related projections, and the overall business.

Goodwill and Other Intangible Assets

Intangible assets with a finite useful life are amortized on a straight-line basis over their useful lives. Indefinite lived intangible assets are assessed for possible impairment annually on November 1st or whenever circumstances change such that the recorded value of the asset may not be recoverable. Prior to the Eagle acquisition completed on December 2, 2022, we did not have any acquired intangible assets.

Goodwill is not amortized, but is subject to impairment assessments. On November 1st of each year, or more frequently if indicators of impairment exist or if a decision is made to sell a business, we evaluate goodwill for impairment. Judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include a decline in expected cash flows, a significant adverse change in the business climate, unanticipated competition, slower growth rates, or negative developments in equity and credit markets, among others. Prior to the Eagle acquisition we had recorded goodwill totaling \$0.9 million related to an acquisition completed in FY05 that is part of our High Visibility product line.

There has been no impairment of our goodwill during the years ended January 31, 2023 and 2022.

Revenue Recognition

Substantially all of the Company's revenue is derived from product sales, which consist of sales of the Company's personal protective wear products to distributors. The Company considers purchase orders to be a contract with a customer. Contracts with customers are considered to be short-term when the time between order confirmation and satisfaction of the performance obligations is equal to or less than one year, and virtually all of the Company's contracts are short-term. The Company recognizes revenue for the transfer of promised goods to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company typically satisfies its performance obligations in contracts with customers upon shipment of the goods. Generally, payment is due from customers within 30 to 90 days of the invoice date, and the contracts do not have significant financing components. The Company elected to account for shipping and handling activities as a fulfillment cost rather than a separate performance obligation. Shipping and handling costs associated with outbound freight are included in operating expenses, and for the years ended in FY23 and FY22 aggregated approximately \$3.2 million and \$2.9 million, respectively. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenue.

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The transaction price includes estimates of variable consideration related to rebates, allowances, and discounts that are reductions in revenue. All estimates are based on the Company's historical experience, anticipated performance, and the Company's best judgment at the time the estimate is made. Estimates for variable consideration are reassessed each reporting period and are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur upon resolution of uncertainty associated with the variable consideration. All the Company's contracts have a single performance obligation satisfied at a point in time, and the transaction price is stated in the contract, usually as quantity times price per unit.

The Company receives advances under certain of its contracts for products sold by Eagle. Those advances are considered contract liabilities with revenues recorded upon delivery of promised goods to customers. These advances are included in Other Accrued Expenses on the Company's consolidated balance sheet. The following is a rollforward of the advances from the date of the Eagle acquisition, December 2, 2022 through January 31, 2023 (in \$000s):

Contract liability – December 2, 2022	\$	1,560
Increases to contract liability		158
Decreases to contract liability		(91)
Contract liability – January 31, 2023	\$	1,627

The Company has seven revenue generating reportable geographic segments under ASC Topic 280 "Segment Reporting" and derives its sales primarily from its limited use/disposable protective clothing and secondarily from its sales of reflective clothing, high-end chemical protective suits, firefighting and heat protective apparel, reusable woven garments and gloves and arm guards. The Company believes disaggregation of revenue by geographic region and product line best depicts the nature, amount, timing, and uncertainty of its revenue and cash flows (see table below). Net sales by geographic region and by product line are included below:

	Year Ended January 31, (in millions of dollars)	
	2023	2022
External Sales by product lines:		
Disposables	\$ 55.2	\$ 67.2
Chemical	22.2	24.5
Fire	14.7	8.2
Gloves	2.3	2.2
High Visibility	5.8	5.6
High Performance Wear	5.0	3.6
Wovens	7.6	7.1
Consolidated external sales	\$ 112.8	\$ 118.4

	Year Ended January 31, (in millions of dollars)	
	2023	2022
External Sales by region:		

USA	\$	49.0	\$	47.6
Other foreign		7.2		7.1
Europe (UK)		8.3		10.3
Mexico		3.7		4.1
Asia		24.7		29.8
Canada		9.1		8.2
Latin America		10.8		11.3
Consolidated external sales	\$	112.8	\$	118.4

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Advertising Costs

Advertising costs are expensed as incurred and included in operating expenses on the consolidated statement of income. Advertising and co-op costs amounted to \$0.5 million and \$0.5 million in FY23 and FY22.

Stock-Based Compensation

The Company records the cost of stock-based compensation plans based on the fair value of the award on the grant date. For awards that contain a vesting provision, the cost is recognized over the requisite service period (generally the vesting period of the equity award) which approximates the performance period. For awards based on services already rendered, the cost is recognized immediately.

Income Taxes

The Company is required to estimate its income taxes in each of the jurisdictions in which it operates as part of preparing the consolidated financial statements. This involves estimating the actual current tax in addition to assessing temporary differences resulting from differing treatments for tax and financial accounting purposes. These differences, together with net operating loss carryforwards and tax credits, are recorded as deferred tax assets or liabilities on the Company's consolidated balance sheet. A judgment must then be made of the likelihood that any deferred tax assets will be recovered from future taxable income. A valuation allowance may be required to reduce deferred tax assets to the amount that is more likely than not to be realized. In the event the Company determines that it may not be able to realize all or part of its deferred tax asset in the future or that new estimates indicate that a previously recorded valuation allowance is no longer required, an adjustment to the deferred tax asset is charged or credited to income in the period of such determination.

The Company recognizes tax positions that meet a "more likely than not" minimum recognition threshold. If necessary, the Company recognizes interest and penalties associated with tax matters as part of the income tax provision and would include accrued interest and penalties with the related tax liability in the consolidated balance sheets.

Foreign Operations and Foreign Currency Translation

The Company maintains manufacturing operations in Mexico, India, Argentina, Vietnam and the People's Republic of China and can access independent contractors in China, Vietnam, Argentina and Mexico. It also maintains sales and distribution entities in India, Canada, the U.K., Chile, China, Argentina, Russia, Kazakhstan, Uruguay, Australia and Mexico. The Company is vulnerable to currency risks in these countries. The functional currency for the United Kingdom subsidiary is the Euro; the trading company in China, the RMB; the Russian operation, the Russian Ruble, and the Kazakhstan operation, the Kazakhstan Tenge. All other operations have the U.S. dollar as their functional currency.

Pursuant to US GAAP, assets and liabilities of the Company's foreign operations with functional currencies other than the U.S. dollar are translated at the exchange rate in effect at the balance sheet date, while revenues and expenses are translated at average rates prevailing during the periods. Translation adjustments are reported in accumulated other comprehensive loss, a separate component of stockholders' equity. Cash flows are also translated at average translation rates for the periods; therefore, amounts reported on the consolidated statement of cash flows will not necessarily agree with changes in the corresponding balances on the consolidated balance sheet. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred. Foreign currency transaction income (loss) included in net income for the years ended January 31, 2023 and 2022, were approximately \$0.9 million and \$0.3 million, respectively.

Fair Value of Financial Instruments

US GAAP defines fair value, provides guidance for measuring fair value and requires certain disclosures utilizing a fair value hierarchy which is categorized into three levels based on the inputs to the valuation techniques used to measure fair value.

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The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect management's own assumptions.

There were no foreign currency forward or hedge contracts at January 31, 2023 or January 31, 2022.

The financial instruments of the Company classified as current assets or liabilities, including cash and cash equivalents, accounts receivable, short-term borrowings, borrowings under revolving credit facility, accounts payable and accrued expenses, are recorded at carrying value, which approximates fair value based on the short-term nature of these instruments.

Net Income Per Share

Net income per share is based on the weighted average number of common shares outstanding without consideration of common stock equivalents. Diluted net income per share is based on the weighted average number of common shares and common stock equivalents. The diluted net income per share calculation takes into account unvested restricted shares and the shares that may be issued upon the exercise of stock options, reduced by shares that may be repurchased with the funds received from the exercise, based on the average price during the fiscal year.

Recent Accounting Pronouncements

The Company considers the applicability and impact of all accounting standards updates ("ASUs"). Management periodically reviews new accounting standards that are issued.

No recently issued accounting pronouncements had or are expected to have a material impact on the Company's consolidated financial statements.

2. INVENTORIES

Inventories consist of the following (in \$000s):

	January 31,	
	2023	2022
Raw materials	\$ 29,036	\$ 20,231
Work-in-process	952	626
Finished goods	32,855	29,910
Excess and obsolete adjustments	(4,668)	(3,056)
	<u>\$ 58,176</u>	<u>\$ 47,711</u>

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3. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

	Useful Life in Years	January 31,	
		2023 (000's)	2022 (000's)
Machinery and equipment	3-10	\$ 5,436	\$ 4,826
Furniture and fixtures	3-10	492	1,067
Leasehold improvements	Lease term	2,094	2,237
Computer hardware and software	3	5,015	4,741
Land and building	20-30	9,508	9,183
		22,546	22,054
Less accumulated depreciation and amortization		(14,406)	(13,372)
Construction-in-progress		1,001	32
		<u>\$ 9,140</u>	<u>\$ 8,714</u>

Depreciation and amortization expense for FY23 and FY22 amounted to \$1.4 million and \$1.9 million, respectively.

4. INVESTMENTS

On October 18, 2021, the Company entered into an Investment Agreement (the "Investment Agreement") with Inova Design Solutions Ltd, a private limited company incorporated under the laws of England and Wales and headquartered in the United Kingdom, doing business as Bodytrak® ("Bodytrak"), and the other parties thereto, pursuant to which Bodytrak agreed to issue and sell to the Company 508,905 cumulative convertible series A shares of Bodytrak ("Series A Shares") in exchange for a payment by the Company of £2,000,000 (\$2.8 million). The closing of this minority investment transaction occurred on October 18, 2021. The Series A Shares issued to the Company at the closing represented approximately 11.43% of Bodytrak's total share capital.

On April 28, 2022, the Company, under the terms of the Investment Agreement, acquired an additional 381,679 Series A Shares of Bodytrak for £1,500,000 (\$1.9 million). On October 26, 2022, the Company acquired an additional 254,452 Series A Shares of Bodytrak for £1,000,000 (\$1.2 million). After completion of the additional investments, the Company owns 22.5% of Bodytrak's total share capital. The investment in Bodytrak is accounted for under the equity method, given our board representation and the resulting ability to exercise significant influence. A substantial portion of our investment represents differences in our investment and our share of the underlying recognized net assets of Bodytrak. These differences are predominately attributable to non-amortizing intangible assets, including internally developed intellectual property, of Bodytrak.

Bodytrak provides wearable monitoring solutions for customers in industrial health, safety, defense and first responder markets wanting to achieve better employee health and performance. Bodytrak's solution is provided as a platform as a service (PaaS), delivering real-time data and cloud-based analytics and hardware that includes a patented earpiece for physiological monitoring and audio communications.

For FY23, the Company recognized a loss of \$0.4 million as the Company's share of Bodytrak's net loss. For the period October 18, 2021 (date of investment) through January 31, 2022, the Company recognized a loss of \$0.1 million as the Company's share of Bodytrak's net loss. The loss is reflected in other income (expense), net in the consolidated statements of income.

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5. ACQUISITIONS

Acquisition of Eagle

On December 2, 2022, we acquired 100% of Eagle's common stock in an all-cash transaction valued at \$10.5 million, net of net working capital acquired.

Headquartered in Manchester, UK, Eagle is a leading designer and provider of protective apparel to the fire and industrial sectors. Eagle provides differentiated product offerings through its innovative and technical solutions.

Eagle's operating results are included in our consolidated financial statements from the acquisition date. The acquisition qualified as a business combination and was accounted for using the acquisition method of accounting.

As part of the acquisition agreement, the Company will pay an earnout payment equal to the amount by which Eagle's revenue exceeds 6 million GBP for the period May 1, 2022 through April 30, 2023. The Company will also pay an earnout payment equal to the amount by which Eagle's revenue exceeds 6.3 million GBP for the period May 1, 2023 through April 30, 2024. The estimated amount of the earnout payment included in the valuation above is \$3.2 million. The estimate was developed using a Monte Carlo simulation.

The following table summarizes the preliminary fair values of the Eagle assets and liabilities assumed at the date of the acquisition:

Current assets acquired (including cash of \$2.2 million)	\$	3,729
Property, plant and equipment		41
Customer relationships		3,283
Trade names and trademarks		1,333
Technological know-how		1,493
Goodwill		7,602
Total assets acquired		17,481
Less liabilities assumed		(2,334)
Net assets acquired	\$	15,147

Assets acquired and liabilities assumed in connection with the acquisition were recorded at estimated fair values. Estimated fair values were determined by management, based in part on an independent valuation performed by a third-party valuation specialist. The valuation methods used to determine the estimated fair value of intangible assets included the excess earnings approach for customer relationships using customer inputs and contributory charges; the relief from royalty method for trade names and trademarks and technological know-how; and the cost method for the assembled workforce was included in goodwill. Several significant assumptions and estimates were involved in the application of these valuation methods, including forecasted sales volumes and prices, royalty rates, costs to produce, tax rates, capital spending, discount rates, attrition rates and working capital changes. Cash flow forecasts were generally based on Eagle's pre-acquisition forecasts. Identifiable intangible assets with finite lives are subject to amortization over their estimated useful lives. The customer relationships, trade names and trademarks and technological know-how acquired in the Eagle transaction are being amortized over periods of 15 years, 15 years and 17 years, respectively. Liabilities assumed primarily relate to customer deposits included within Other Accrued Expenses.

Goodwill is calculated as the excess of the purchase price over the estimated fair value of net assets acquired and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Among the factors that contributed to a purchase price in excess of the estimated fair value of the net tangible and intangible assets acquired were the acquisition of an assembled workforce, the expected synergies and other benefits that we believe will result from combining the operations of Eagle with our operations.

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Due to the timing of the completion of the acquisition, the purchase price and related allocation are preliminary and could be revised as a result of adjustments made to the purchase price, additional information obtained regarding assets acquired and liabilities assumed, and revisions of provisional estimates of fair values, including, but not limited to, the completion of independent appraisals and valuations related to contingent consideration, inventory, contractual relationships and intangible assets. These changes to the purchase price allocation could be significant. The purchase price allocation will be finalized within the measurement period of up to one year from the acquisition date.

The following unaudited pro forma information presents our combined results as if the Eagle acquisition had occurred at the beginning of FY22. The unaudited pro forma financial information was prepared to give effect to events that are (1) directly attributable to the acquisition; (2) factually supportable; and (3) expected to have a continuing impact on the combined company's results. There were no material transactions between the Company and Eagle during the periods presented that are required to be eliminated. The unaudited pro forma combined financial information does not reflect cost savings, operating synergies or revenue enhancements that the combined companies may achieve or the costs to integrate the operations or the costs necessary to achieve cost savings, operating synergies or revenue enhancements.

Pro forma combined financial information (Unaudited)

(in millions, except per share amount)

	Year Ended January 31,	
	2023	2022
Net sales	\$ 115.8	\$ 122.2
Net income	\$ 2.0	\$ 11.4
Basic earnings per share	\$ 0.26	\$ 1.45
Diluted earnings per share	\$ 0.25	\$ 1.42

The unaudited pro forma combined financial information is presented for information purposes only and is not intended to represent or be indicative of the combined results of operations or financial position that we would have reported had the acquisition been completed as of the date and for the periods presented, and should not be taken as representative of our consolidated results of operations or financial condition following the acquisition. In addition, the unaudited pro forma combined financial information is not intended to project the future results of the combined company.

The unaudited pro forma combined financial information was prepared using the acquisition method of accounting under existing U.S. GAAP. The Company has been treated as the acquirer.

Total acquisition-related costs were \$0.6 million for the year ended January 31, 2023. Transactional costs and acquisition-related amortization is included in operating expenses in the Consolidated Statements of Income.

6. LONG-TERM DEBT

Revolving Credit Facility

On June 25, 2020, the Company entered into a Loan Agreement (the "Loan Agreement") with Bank of America ("Lender"). The Loan Agreement provides the Company with a secured (i) \$12.5 million revolving credit facility, which includes a \$5.0 million letter of credit sub-facility. The Company may request from time to time an increase in the revolving credit loan commitment of up to \$5.0 million (for a total commitment of up to \$17.5 million). Borrowing pursuant to the revolving credit facility is subject to a borrowing base amount calculated as (a) 80% of eligible accounts receivable, as defined, plus (b) 50% of the value of acceptable inventory, as defined, minus (c) certain reserves as the Lender may establish for the amount of estimated exposure, as reasonably determined by the Lender from time to time, under certain interest rate swap contracts. The borrowing base limitation only applies during periods when the Company's quarterly funded debt to EBITDA ratio, as defined, exceeds 2.00 to 1.00. The credit facility will mature on June 25, 2025.

Borrowings under the revolving credit facility bear interest at a rate per annum equal to the sum of the LIBOR Daily Floating Rate ("LIBOR"), plus 125 basis points. LIBOR is subject to a floor of 100 basis points. All outstanding principal and unpaid accrued interest under the revolving credit facility is due and payable on the maturity date. On a one-time basis, and subject to there not existing an event of default, the Company may elect to convert up to \$5 million of the then outstanding principal of the revolving credit facility to a term loan facility with an assumed amortization of 15 years and the same interest rate and maturity date.

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On June 18, 2021, the Company entered into Amendment No. 1 to the Loan Agreement (the “Amendment”) with the Lender, which modifies certain terms of the Company’s existing Loan Agreement with the Lender. The Amendment increases the credit limit under the Loan Agreement’s senior secured revolving credit facility from \$12.5 million to \$25.0 million. The Amendment also amends the covenant in the Loan Agreement that restricts acquisitions by the Company or its subsidiaries in order to allow, without the prior consent of the Lender, acquisitions of a business or its assets if there is no default under the Loan Agreement and the aggregate consideration does not exceed \$7.5 million for any individual acquisition or \$15.0 million on a cumulative basis for all such acquisitions.

The Loan Agreement requires the Company to maintain a Funded Debt to EBITDA (as each such term is defined in the Loan Agreement) ratio of 3.0 to 1.0 or less and a Basic Fixed Charge Coverage Ratio (as defined in the Loan Agreement) of at least 1.15 to 1.0. The Loan Agreement also contains customary covenants, including covenants that, among other things, limit or restrict the Company’s and/or the Company’s subsidiaries’ ability, subject to certain exceptions and qualifications, to incur liens or indebtedness, pay dividends or merge, consolidate or sell or otherwise transfer assets. The Company was in compliance with all of its debt covenants as of January 31, 2023.

The Company made certain representations and warranties to the Lender in the Loan Agreement that are customary for credit arrangements of this type. The Company also agreed to maintain, as of the end of each fiscal quarter, a minimum “basic fixed charge coverage ratio” (as defined in the Loan Agreement) of at least 1.15 to 1.00 and a “funded debt to EBITDA ratio” (as defined in the Loan Agreement) not to exceed 3.00 to 1.00, in each case for the trailing 12-month period ending with the applicable quarterly reporting period. The Company also agreed to certain negative covenants that are customary for credit arrangements of this type, including restrictions on the Company’s ability to enter into mergers, acquisitions or other business combination transactions, conduct its business, grant liens, make certain investments, make substantial change in the present executive or management personnel and incur additional indebtedness, which negative covenants are subject to certain exceptions.

The Loan Agreement contains customary events of default that include, among other things (subject to any applicable cure periods and materiality qualifier), non-payment of principal, interest or fees, defaults under related agreements with the Lender, cross-defaults under agreements for other indebtedness, violation of covenants, inaccuracy of representations and warranties, bankruptcy and insolvency events, material judgments and material adverse change. Upon the occurrence of an event of default, the Lender may terminate all loan commitments, declare all outstanding indebtedness owing under the Loan Agreement and related documents to be immediately due and payable, and may exercise its other rights and remedies provided for under the Loan Agreement.

In connection with the Loan Agreement, the Company entered into with the Lender (i) a security agreement dated June 25, 2020, pursuant to which the Company granted to the Lender a first priority perfected security interest in substantially all of the personal property and the intangibles of the Company, and (ii) a pledge agreement, dated June 25, 2020, pursuant to which the Company granted to the Lender a first priority perfected security interest in the stock of its subsidiaries (limited to 65% of those subsidiaries that are considered “controlled foreign subsidiaries” as set forth in the Internal Revenue Code and regulations). The Company’s obligations to the Lender under the Loan Agreement are also secured by a negative pledge evidenced by a Non-encumbrance Agreement covering the real property owned by the Company in Decatur, Alabama

As of January 31, 2023, the Company had no borrowings outstanding on the letter of credit sub-facility and no borrowings outstanding under the revolving credit facility.

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Borrowings in UK

On December 31, 2014, the Company and Lakeland Industries Europe, Ltd, (“Lakeland UK”), a wholly owned subsidiary of the Company, amended the terms of its existing line of credit facility with HSBC Bank to provide for (i) a one-year extension of the maturity date of the existing financing facility to December 19, 2016, (ii) an increase in the facility limit from £1,250,000 (approximately USD \$1.9 million, based on exchange rates at time of closing) to £1,500,000 (approximately USD \$2.3 million, based on exchange rates at the time of closing), and (iii) a decrease in the annual interest rate margin from 3.46% to 3.0%. In addition, pursuant to a letter agreement dated December 5, 2014, the Company agreed that £400,000 (approximately USD \$0.6 million, based on exchange rates at time of closing) of the note payable by the UK subsidiary to the Company shall be subordinated in priority of payment to the subsidiary’s obligations to HSBC under the financing facility. This agreement has been subsequently amended with the most recent amendment on March 8, 2022. The cumulative result of the amendments through March 8, 2022 reflect a reduction of the service charge to 0.765%. The agreement can be terminated with three months’ notice. There were \$0.4 million in borrowings outstanding under this facility at January 31, 2023.

7. CONCENTRATION OF RISK

Credit Risk

Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of cash and cash equivalents, and trade receivables. Concentration of credit risk with respect to trade receivables is generally diversified due to the large number of entities comprising the Company’s customer base and their dispersion across geographic areas principally within the United States. The Company routinely addresses the financial strength of its customers and, as a consequence, believes that its receivable credit risk exposure is limited. The Company does not require customers to post collateral.

The Company’s foreign financial depositories are Bank of America; China Construction Bank; Bank of China; China Industrial and Commercial Bank; HSBC (UK); Royal Bank of Scotland, Rural Credit Cooperative of Shandong; Postal Savings Bank of China; Punjab National Bank; HSBC in India, Argentina and UK; Raymond James in Argentina; TD Canada Trust; Banco Itaú S.A., Banco Credito Inversione in Chile; Banco Mercantil Del Norte SA in Mexico; ZAO KB Citibank Moscow in Russia, and JSC Bank Centercredit in Kazakhstan. The Company monitors its financial depositories by their credit rating, which varies by country. In addition, cash balances in banks in the United States of America are insured by the Federal Deposit Insurance Corporation subject to certain limitations. There was approximately \$1.3 million total included in the U.S. bank accounts and approximately \$23.5 million total in foreign bank accounts as of January 31, 2023, of which \$24.1 million was uninsured.

Major Customer

No customer accounted for more than 10% of net sales during FY23 and FY22.

Major Supplier

No vendor accounted for more than 10% of purchases during FY23 and FY22.

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8. STOCKHOLDERS' EQUITY

On June 21, 2017, the stockholders of the Company approved the Lakeland Industries, Inc. 2017 Equity Incentive Plan (the "2017 Plan"). The executive officers and all other employees and directors of the Company, including its subsidiaries, are eligible to participate in the 2017 Plan. The 2017 Plan is administered by the Compensation Committee of the Board of Directors (the "Committee"), except that with respect to all non-employee directors, the Committee shall be deemed to include the full Board. The 2017 Plan provides for the grant of equity-based compensation in the form of stock options, restricted stock, restricted stock units, performance shares, performance units, or stock appreciation rights ("SARs").

On June 16, 2021, the stockholders of the Company approved Amendment No. 1 (the "Amendment") to the 2017 Plan. The Amendment increases the number of shares of common stock, par value \$0.01 per share (the "Common Stock"), of the Company reserved for issuance under the Plan by 480,000 shares.

An aggregate of 840,000 shares of the Company's common stock are authorized for issuance under the 2017 Plan, subject to adjustment as provided in the 2017 Plan for stock splits, dividends, distributions, recapitalizations and other similar transactions or events. If any shares subject to an award are forfeited, expire, lapse or otherwise terminate without issuance of such shares, such shares shall, to the extent of such forfeiture, expiration, lapse or termination, again be available for issuance under the 2017 Plan.

The Company recognized total stock-based compensation costs, which are reflected in operating expenses (in 000's):

	Year Ended January 31,	
	2023	2022
2017 Plan:		
Total restricted stock and stock option programs	\$ 1,491	\$ 1,667
Total income tax expense recognized for stock-based compensation arrangements	\$ 313	\$ 350

Restricted Stock

Under the 2017 Plan, as described above, the Company awarded performance-based and service-based shares of restricted stock and restricted stock units to eligible employees and directors. The following table summarizes the activity under the 2017 Plan for the year ended January 31, 2023. This table reflects the amount of awards granted at the number of shares that would be vested if the Company were to achieve the maximum performance level under the April 2020, June 2021 and June 2022 grants.

	Performance- Based	Service-Based	Total	Weighted Average Grant Date Fair Value
Outstanding at January 31, 2022	232,838	14,970	247,808	\$ 20.89
Awarded	36,475	56,065	92,539	\$ 18.19
Vested	(141,833)	(30,370)	(172,203)	\$ 10.33
Forfeited				
Outstanding at January 31, 2023	127,480	40,665	168,145	\$ 22.95

The actual number of shares of common stock of the Company, if any, to be earned by the award recipients is determined over a three year performance measurement period based on measures that include Earnings Before Interest Taxes Depreciation and Amortization ("EBITDA") margin, revenue growth, and free cash flow for the April 2020, June 2021 and June 2022 grants. The performance targets have been set for each of the Minimum, Target, and Maximum levels. The actual performance amount achieved is determined by the Committee and may be adjusted for items determined to be unusual in nature or infrequent in occurrence, at the discretion of the Committee.

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The compensation cost is based on the fair value at the grant date, is recognized over the requisite performance/service period using the straight-line method, and is periodically adjusted for the probable number of shares to be awarded. As of January 31, 2023, unrecognized stock-based compensation expense totaled \$1.5 million pursuant to the 2017 Plan based on outstanding awards under the Plan. This expense is expected to be recognized over approximately two years.

Stock Repurchase Program

On February 17, 2021, the Company's board of directors approved a stock repurchase program under which the Company may repurchase up to \$5 million of its outstanding common stock. On July 6, 2021, the Board of Directors authorized an increase in the Company's stock repurchase program under which the Company may repurchase up to an additional \$5 million of its outstanding common stock. On April 7, 2022, the Board of Directors authorized a new stock repurchase program under which the Company may repurchase up to \$5 million of its outstanding common stock, which became effective upon the completion of the prior share repurchase program. On December 1, 2022, the Board of Directors authorized an increase in the Company's stock repurchase program, under which the Company may repurchase up to an additional \$5 million of its outstanding common stock.

Shares repurchased in FY23 totaled 390,989 shares at a cost of \$5.4 million, leaving \$5.4 million remaining under the share repurchase program at January 31, 2023. The share repurchase program has no expiration date but may be terminated by the Board of Directors at any time.

9. INCOME TAXES

The provision for income taxes is based on the following pretax income (loss):

	Years Ended January 31,	
	2023	2022
Domestic and Foreign Pretax Income (Loss)		
Domestic	\$ 15,322	\$ 1,519
Foreign	(9,851)	14,634
Total	\$ 5,471	\$ 16,153

	Years Ended January 31,	
	2023	2022
Income Tax Expense (Benefit)		
Current:		
Federal	\$ 2	(\$171)
State and other taxes	68	88
Foreign	3,450	4,205
Total Current Tax Expense	\$ 3,520	\$ 4,122
Deferred:		
Domestic	(\$756)	\$ 526
Foreign	834	133
Total Deferred Tax Expense	\$78	\$ 659
Total Income Taxes	<u>\$ 3,598</u>	<u>\$ 4,781</u>

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The following is a reconciliation of the effective income tax rate to the Federal statutory rate:

	Years Ended January 31,	
	2023	2022
Statutory rate	21.00%	21.00%
State Income Taxes, Net of Federal Tax Benefit	0.05%	(0.01)%
Adjustment to Deferred	13.54%	(0.26)%
GILTI	24.84%	4.11%
Foreign Tax Credit - GILTI	(14.86)%	-
Section 250 Deduction	(15.74)%	-
Permanent Differences	0.07%	(0.83)%
Valuation Allowance-Deferred Tax Asset	6.41%	4.81%
Foreign Tax Credit	(9.74)%	(7.34)%
Section 78 Gross-up	6.64%	-
Argentina Flow Through Loss	1.09%	1.36%
Foreign Dividend & Subpart F	-	(5.27)%
Withholding Taxes	36.55%	-
Foreign Rate Differential	2.11%	9.22%
Change in State Apportionment Rate	(1.38)%	3.52%
Foreign employee benefits	(3.58)%	-
Foreign Dividends Paid to U.S.	73.01%	-
Foreign Dividends Received Deduction	(73.01)%	-
Other	(1.25)%	(0.71)%
Effective Rate	<u>65.74%</u>	<u>29.60%</u>

The tax effects of temporary cumulative differences which give rise to deferred tax assets are summarized as follows:

	Years Ended January 31,	
	2023	2022
Deferred tax assets:		
Inventories	\$ 1,147	\$ 806
US tax loss carryforwards, including work opportunity credit	186	167
Accounts receivable and accrued rebates	278	145
Accrued compensation and other	123	211
India reserves - US deduction	22	32
Equity based compensation	1,178	807
Foreign tax credit carry-forward	3,123	3,209
State and local carry-forwards	18	16
Depreciation and amortization	(155)	(186)
Prepaid expenses	(175)	(219)
Brazil write-down	-	196
Right-of-use asset	(697)	(738)
Operating lease liability	732	762
Foreign carry-forwards	438	-
Withholding taxes	(769)	-
Other	107	93
Deferred tax asset	<u>5,556</u>	<u>5,282</u>
Less valuation allowance	<u>(3,561)</u>	<u>(3,210)</u>
Net deferred tax asset	<u>\$ 1,995</u>	<u>\$ 2,072</u>
Balance sheet classification		
Long-term deferred tax asset	\$ 2,764	\$ 2,072
Long-term deferred tax liability	\$ 769	-

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The benefit relating to capital loss, operating loss, and credit carryforwards included in the above table at January 31, 2023, consisted of:

	Operating Loss	Benefit Amount	Valuation Allowance	Expiration Beginning In
State operating loss carryforwards	\$ 19,564	\$ 18	\$ (1)	2028
Foreign tax credit carryforwards		3,123	(3,123)	2024
Federal credit carryforwards		186	-	2035
Mexico operating loss carryforwards	1,457	437	(437)	2033
Total		\$ 3,764	\$ (3,561)	

Significant net operating loss carryforwards were generated in the state of Alabama prior to the change in apportionment factor in 2021 which decreased the amount of income to be apportioned to Alabama in the future and therefore decreasing carryforward benefit available related to state operating losses.

Indefinite Reinvestment Assertion

We previously considered substantially all of the earnings in our non-U.S. subsidiaries to be indefinitely reinvested outside the U.S. and, accordingly, recorded no deferred income taxes on such earnings. At this time, the applicable provisions of the Tax Act have been fully analyzed and our intention with respect to unremitted foreign earnings is to continue to indefinitely reinvest outside the U.S. those earnings needed for working capital or additional foreign investment. During FY23 the Company changed its' permanent reinvestment assertions for its Chinese operations due to increased volatility of the Chinese yuan and an updated evaluation of investment strategies. The Company's plans are to repatriate a total of \$20.0 million from China and recorded withholding taxes of \$2.0 million which are included in income tax expense. During FY23 the Company's subsidiaries in Canada, China and Hong Kong declared and paid total dividends of \$15.5 million of which \$12.5 million came from China.

Income Tax Audits

The Company is subject to US federal income tax, as well as income tax in multiple US state and local jurisdictions and a number of foreign jurisdictions. Returns for the years since FY19 are still open based on statutes of limitation only.

Chinese tax authorities have performed limited reviews on all Chinese subsidiaries as of tax years 2008 through 2021 with no significant issues noted and we believe our tax positions are reasonably stated as of January 31, 2023. The 2022 tax review will be performed before May 31, 2023 in China.

Change in Valuation Allowance

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. The valuation allowance for the year ended January 31, 2023 and January 31, 2022 was \$3.6 million and \$3.2 million, respectively.

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10. NET INCOME PER SHARE

The following table sets forth the computation of basic and diluted net income per share as follows:

	Years Ended January 31, (000's except share information)	
	2023	2022
Numerator – Net Income	\$ 1,873	\$ 11,372
Denominator for basic net income per share (weighted-average shares which reflect 1,330,694 and 939,705 treasury shares at January 31, 2023 and 2022, respectively)	7,562,187	7,900,131
Effect of dilutive securities from restricted stock plan and from dilutive effect of stock options	175,776	153,745
Denominator for diluted net income per share (adjusted weighted average shares)	7,737,963	8,053,876
Basic net income per share	\$ 0.25	\$ 1.44
Diluted net income per share	\$ 0.24	\$ 1.41

11. DERIVATIVE INSTRUMENTS AND FOREIGN CURRENCY EXPOSURE

The Company is exposed to foreign currency risk. Management has commenced a derivative instrument program to partially offset this risk by purchasing forward contracts to sell the Canadian Dollar and the Euro other than the cash flow hedge discussed below. Such contracts are largely timed to expire on the last day of the fiscal quarter, with a new contract purchased on the first day of the next quarter to match the Company's operating cycle. We designated the forward contracts as derivatives but not as hedging instruments, with loss and gain recognized in current earnings.

The Company accounts for its foreign exchange derivative instruments by recognizing all derivatives as either assets or liabilities at fair value, which may result in additional volatility in current period earnings or other comprehensive income, depending on whether the instrument was designated as a cash flow hedge, as a result of recording recognized and unrecognized gains and losses from changes in the fair value of derivative instruments.

We have one type of derivatives to manage the risk of foreign currency fluctuations. We enter into forward contracts with financial institutions to manage our currency exposure related to net assets and liabilities denominated in foreign currencies. Those forward contract derivatives, not designated as hedging instruments, were generally settled quarterly. Gain and loss on those forward contracts are included in current earnings. There were no outstanding forward contracts at January 31, 2023 or 2022.

12. COMMITMENTS AND CONTINGENCIES

Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company's management and legal counsel assess such contingent liabilities, which inherently involve an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been or is probable of being incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's consolidated financial statements. If the assessment indicates that a potentially material

loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

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General litigation contingencies

The Company is involved in various litigation proceedings arising during the normal course of business which, in the opinion of the management of the Company, will not have a material effect on the Company's financial position, results of operations or cash flows; however, there can be no assurance as to the ultimate outcome of these matters. As of January 31, 2023, to the best of the Company's knowledge, there were no significant outstanding claims or litigation.

Leases

We lease real property, equipment and automobiles. The Company made the accounting policy election to account for short-term leases as described herein. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term.

The Company determines if a contract contains a lease at inception. US GAAP requires that the Company's leases be evaluated and classified as operating or finance leases for financial reporting purposes. The classification evaluation begins at the commencement date and the lease term used in the evaluation includes the non-cancellable period for which the Company has the right to use the underlying asset, together with renewal option periods when the exercise of the renewal option is reasonably certain and failure to exercise such option would result in an economic penalty. All of the Company's real estate leases are classified as operating leases.

Most of our real estate leases include one or more options to renew, with renewal terms that generally can extend the lease term for an additional four to five years. The exercise of lease renewal options is at the Company's discretion. The Company evaluates renewal options at lease inception and on an ongoing basis, and includes renewal options that it is reasonably certain to exercise in its expected lease terms when classifying leases and measuring lease liabilities. Lease agreements generally do not require material variable lease payments, residual value guarantees or restrictive covenants.

Lease cost

The components of lease expense are included on the consolidated statement of operations as follows (in 000's):

	Classification	Year Ended January 31, 2023	Year Ended January 31, 2022
Operating lease cost	Cost of goods sold	\$ 272	\$ 656
	Operating expenses	\$ 1,035	\$ 908
Short-term lease cost		\$ 169	\$ 114

Weighted-average lease terms and discount rates are as follows:

	January 31, 2023	January 31, 2022
Weighted-average remaining lease term (years)		
Operating leases	8.16	8.25
Weighted-average discount rate		
Operating leases	5.25%	4.32%

Supplemental cash flow information related to leases were as follows (in 000's):

	Year Ended January 31, 2023	Year Ended January 31, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 1,436	\$ 406
Leased assets obtained in exchange for new operating lease liabilities	\$ 1,148	\$ 3,368

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Maturity of Lease Liabilities

Maturity of lease liabilities as of January 31, 2023 was as follows (in \$000's):

Year ending January 31,	Operating Leases
2024	\$ 1,253
2025	626
2026	592
2027	577
2028	582
Thereafter	2,090
Total lease payments	5,720
Less: Interest	814
Present value of lease liability	\$ 4,906

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13. SEGMENT REPORTING

Domestic and international sales from continuing operations are as follows in millions of dollars:

	2023	2022
Domestic	\$ 48.99	\$ 47.61
International	63.86	70.78
Total	<u>\$ 112.85</u>	<u>\$ 118.39</u>

We manage our operations by evaluating each of our geographic locations. Our US operations include a facility in Alabama (primarily the distribution to customers of the bulk of our products and the light manufacturing of our chemical, wovens, reflective, and fire products). The Company also maintains one manufacturing company in China (primarily disposable and chemical suit production), a manufacturing facility in Mexico (primarily disposable, reflective, fire and chemical suit production), a manufacturing facility in Vietnam (primarily disposable production) and a small manufacturing facility in India. Our China facilities produce the majority of the Company's products, and China generates a significant portion of the Company's international revenues. We evaluate the performance of these entities based on operating profit, which is defined as income before income taxes, interest expense and other income and expenses. We have sales forces in the USA, Canada, Mexico, Europe, Latin America, India, Russia, Kazakhstan, and China, which sell and distribute products shipped from the United States, Mexico, India or China. The table below represents information about reported segments for the years noted therein:

	Year Ended January 31,	
	2023	2022
	(in millions of dollars)	
Net Sales		
USA Operations (including Corporate)	\$ 53.79	\$ 51.44
Other foreign	9.52	9.73
Europe (UK)	8.33	10.31
Mexico	5.23	5.23
Asia	63.68	75.82
Canada	9.04	8.20
Latin America	10.87	11.80
Less intersegment sales	(47.61)	(54.14)
Consolidated sales	<u>\$ 112.85</u>	<u>\$ 118.39</u>
External Sales		
USA Operations (including Corporate)	\$ 48.99	\$ 47.61
Other foreign	7.17	7.07
Europe (UK)	8.33	10.31
Mexico	3.73	4.06
Asia	24.75	29.80
Canada	9.04	8.20
Latin America	10.84	11.34
Consolidated external sales	<u>\$ 112.85</u>	<u>\$ 118.39</u>
Intersegment Sales		
USA Operations (including Corporate)	\$ 4.80	\$ 3.83
Other foreign	2.35	2.66
Mexico	1.50	1.17
Asia	38.93	46.02
Canada	—	—
Latin America	0.03	0.46
Consolidated intersegment sales	<u>\$ 47.61</u>	<u>\$ 54.14</u>

	Year Ended January 31,	
	2023	2022
	(in millions of dollars)	
Operating Profit (Loss):		
USA Operations (including Corporate)	\$ (6.42)	\$ (4.09)
Other foreign	0.43	1.84
Europe (UK)	(1.26)	1.18
Mexico	(1.44)	(1.01)
Asia	10.91	13.89
Canada	1.46	1.07
Latin America	1.93	2.35
Less intersegment (profit) loss	(0.07)	0.82
Consolidated operating profit	<u>\$ 5.54</u>	<u>\$ 16.05</u>
Depreciation and Amortization Expense:		
USA Operations (including Corporate)	\$ 0.61	\$ 0.88
Other foreign	0.06	0.07
Europe (UK)	-	-
Mexico	0.19	0.20
Asia	0.50	0.58
Canada	0.10	0.11
Latin America	0.04	0.03
Less intersegment	-	-
Consolidated depreciation and amortization expense	<u>\$ 1.50</u>	<u>\$ 1.87</u>

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	Year Ended January 31,	
	2023	2022
	(in millions of dollars)	
Total Assets:		
USA Operations (including Corporate)	\$ 94.05	\$ 77.76
Other foreign	10.40	9.32
Europe (UK)	12.53	8.79
Mexico	5.51	5.24
Asia	55.77	66.97
Canada	5.97	4.99
Latin America	10.62	7.46
Less intersegment	(52.68)	(39.74)
Consolidated assets	\$ 142.17	\$ 140.79
Total Assets Less Intersegment:		
USA Operations (including Corporate)	\$ 64.33	\$ 53.36
Other foreign	9.24	8.92
Europe (UK)	12.53	8.79
Mexico	5.32	5.06
Asia	35.64	52.26
Canada	5.81	4.99
Latin America	9.30	7.41
Consolidated assets	\$ 142.17	\$ 140.79
Property and Equipment:		
USA Operations (including Corporate)	\$ 3.28	\$ 2.78
Other foreign	0.25	0.25
Europe (UK)	0.05	—
Mexico	2.01	2.15
Asia	2.39	2.42
Canada	0.85	0.95
Latin America	0.22	0.07
Less intersegment	0.09	0.09
Consolidated long-lived assets	\$ 9.14	\$ 8.71
Capital Expenditures:		
USA Operations (including Corporate)	\$ 1.21	\$ 0.64
Other foreign	-	0.04
Europe (UK)	0.02	-
Mexico	0.02	0.03
Asia	0.54	0.06
Canada	-	0.03
Latin America	0.20	-
Consolidated capital expenditure	\$ 1.99	\$ 0.80

[Table of Contents](#)**14. SUBSEQUENT EVENTS**

The Company has reviewed and evaluated whether any material subsequent events have occurred from January 31, 2023 through the filing date of the Company's Annual Report on Form 10-K. All appropriate subsequent event disclosures have been made in the consolidated financial statements. On March 3, 2023 the Company changed the benchmark interest rate in its credit facility from the LIBOR to the Secured Overnight Financing Rate ("SOFR"). On February 1, 2023, the Company announced that its Board of Directors declared a quarterly cash dividend as part of the initiation of a recurring quarterly dividend program. The initial quarterly dividend of \$0.03 per share was paid on February 22, 2023, to stockholders of record as of February 15, 2023.

[Table of Contents](#)**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

ITEM 9A. CONTROLS AND PROCEDURESEvaluation of Disclosure Controls and Procedures

In connection with the preparation of this report, an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Securities and Exchange Commission's (SEC) Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act")) as of January 31, 2023 was carried out by certain members of Company management, with the participation of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the CEO and CFO, to allow timely decisions regarding required disclosures.

Due to a material weakness in internal control over financial reporting described below, management concluded the Company's disclosure controls and procedures were not effective as of January 31, 2023. Notwithstanding the existence of this material weakness, management believes the consolidated financial

statements in this Annual Report on Form 10-K present, in all material respects, the Company's financial condition as reported in conformity with United States Generally Accepted Accounting Principles ("GAAP").

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining effective internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act. The Company's internal control over financial reporting is a process, under the supervision of the CEO and CFO, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management has completed an assessment of the effectiveness of the Company's internal control over financial reporting as of January 31, 2023, based on criteria established by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in the 2013 *Internal Control – Integrated Framework*. As a result of this assessment, management has concluded controls were not effective due to an identified material weakness in internal control over financial reporting. A material weakness is a control deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness identified is disclosed below:

- *Foreign Subsidiary Currency Translation or Remeasurement.* The Company did not design, implement, and/or consistently operate effective controls over its foreign subsidiary currency translation or remeasurement to ensure the foreign subsidiary's account balances were accurately stated in the consolidated financial statements.

As a result of this material weakness, the Company's management has concluded that, as of January 31, 2023, the Company's internal control over financial reporting was not effective based on the criteria in the 2013 COSO Internal Control – Integrated Framework.

Management communicated the results of its assessment to the Audit Committee of the Board of Directors. The Company's independent registered public accounting firm, Deloitte & Touche, LLP, has expressed an adverse opinion on the Company's internal control over financial reporting as of January 31, 2023 in the audit report that appears in Item 8 of this Annual Report on Form 10-K.

Remediation Efforts

Management is committed to the remediation of the material weakness described above, as well as the continued improvement of the Company's internal control over financial reporting. Management has identified, implemented, and continues to implement, the actions described below to remediate the underlying causes of the control deficiencies that gave rise to the material weakness. Until the remediation efforts described below (including any additional measures management identifies as necessary) are completed, the material weakness described above will continue to exist.

To address the material weakness associated with *Foreign Subsidiary Currency Translation described above*, management has completed, or is in the process of:

- Enhancing the existing monthly financial statement management review by including a reconciliation of key account balances on the general ledger back to the originally reported balances from the foreign subsidiary sub-ledgers (translated to USD);
- Reconfiguring the trial balance import process for its Argentina subsidiary to import and remeasure account balances in a manner consistent with other foreign subsidiaries; and
- Developing enhancements to the foreign subsidiary financial reporting packages by specifically quantifying and reviewing the currency fluctuation impact to the overall financial statements.

While some of these measures have been completed as of the date of this report, management has not completed and tested all of the planned corrective processes, enhancements, procedures and related evaluation necessary to determine whether the material weakness has been fully remediated. Moreover, the corrective actions and controls need to be in operation for a sufficient period of time for management to conclude that the control environment is operating effectively and has been adequately tested by management. Accordingly, the material weakness has not been fully remediated as of the date of this report. As the Company continues its evaluation and remediation efforts, management may modify the actions described above or identify and take additional measures to address the control deficiencies. Management will continue to assess the effectiveness of remediation efforts in connection with its ongoing evaluation of internal control over financial reporting.

As permitted by SEC guidance, we currently exclude Eagle Technical Products Limited in our evaluation of internal control over financial reporting for the first year after the acquisition, as described below.

The Company acquired Eagle Technical Products Limited on December 2, 2022, which represented approximately 1% and 3% of the Company's net assets and total assets as of January 31, 2023 and 1% and 12% of total sales and net income, respectively, for the year ended January 31, 2023. As the Eagle Technical Products Limited acquisition was completed during the fourth quarter of fiscal 2023, the scope of the Company's fiscal 2023 assessment of the effectiveness of its internal control over financial reporting does not include the acquired Eagle Technical Products Limited business. This exclusion is pursuant to the SEC's general guidance that an assessment of a recently acquired business' internal control over financial reporting may be omitted from the scope of the Company's assessment of its internal control over financial reporting for twelve months following the date of acquisition.

Changes in Internal Control over Financial Reporting

Other than the remediation efforts described above, there were no changes in the Company's internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(f) and 15d-15(f) of the Exchange Act during the quarter ended January 31, 2023 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by Part III: Item 10, Directors, Executive Officers and Corporate Governance; Item 11, Executive Compensation; Item 13, Certain Relationships and Related Transactions and Director Independence; and Item 14, Principal Accountant Fees and Services is included in and incorporated by reference to Lakeland's definitive proxy statement in connection with its Annual Meeting of Stockholders scheduled to be held in June 2023, to be filed with the Securities and Exchange Commission within 120 days following the end of Lakeland's fiscal year ended January 31, 2023. Information relating to the executive officers of the Registrant appears under Item 1 of this report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Part III: Item 10, Directors, Executive Officers and Corporate Governance; Item 11, Executive Compensation; Item 13, Certain Relationships and Related Transactions and Director Independence; and Item 14, Principal Accountant Fees and Services is included in and incorporated by reference to Lakeland's definitive proxy statement in connection with its Annual Meeting of Stockholders scheduled to be held in June 2023, to be filed with the Securities and Exchange Commission within 120 days following the end of Lakeland's fiscal year ended January 31, 2023. Information relating to the executive officers of the Registrant appears under Item 1 of this report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS

The information regarding security ownership of certain beneficial owners and management that is required to be included pursuant to this Item 12 is included in and incorporated by reference to Lakeland's definitive proxy statement in connection with its Annual Meeting of Stockholders scheduled to be held in June 2023.

Equity Compensation Plans

The following sets forth information relating to Lakeland's equity compensation plans as of January 31, 2023:

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1) (a)	Weighted-average exercise price per share of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(1) (c)
Equity Compensation plans approved by security holders	225,970	\$ 17.85	328,921
Equity compensation plans not approved by security holders	—	—	—
Total	225,970	\$ 17.85	328,921

(1) The total reflected in column (c) includes shares available for grant as any type of equity award under our 2017 Equity Incentive Plan, as amended.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Part III: Item 10, Directors, Executive Officers and Corporate Governance; Item 11, Executive Compensation; Item 13, Certain Relationships and Related Transactions and Director Independence; and Item 14, Principal Accountant Fees and Services is included in and incorporated by reference to Lakeland's definitive proxy statement in connection with its Annual Meeting of Stockholders scheduled to be held in June 2023, to be filed with the Securities and Exchange Commission within 120 days following the end of Lakeland's fiscal year ended January 31, 2023.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Part III: Item 10, Directors, Executive Officers and Corporate Governance; Item 11, Executive Compensation; Item 13, Certain Relationships and Related Transactions and Director Independence; and Item 14, Principal Accountant Fees and Services is included in and incorporated by reference to Lakeland's definitive proxy statement in connection with its Annual Meeting of Stockholders scheduled to be held in June 2023, to be filed with the Securities and Exchange Commission within 120 days following the end of Lakeland's fiscal year ended January 31, 2023.

PART IV**ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES**

- a. (1) Financial Statements - Covered by Report of Independent Registered Public Accounting Firm
 - (A) Consolidated Statements of Income for the years ended January 31, 2023 and 2022
 - (B) Consolidated Statements of Comprehensive Income for the years ended January 31, 2023 and 2022
 - (C) Consolidated Balance Sheets at January 31, 2023 and 2022
 - (D) Consolidated Statements of Stockholders' Equity for the years ended January 31, 2023 and 2022

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(4) Exhibits – See (b) below

b. Exhibits

Exhibit No.	Description
2.1	Agreement for the Sale and Purchase of the Issued Shares of Eagle Technical Products Limited, by and between Lakeland Global Safety, Ltd as Buyer and Longworth Limited as Seller, dated as of December 2, 2022.
3.1	Restated Certificate of Incorporation of Lakeland Industries, Inc., as amended (incorporated by reference to Exhibit 4.1 of Lakeland Industries, Inc.'s Registration Statement on Form S-8 filed on September 3, 2021).
3.2	Amended and Restated Bylaws of Lakeland Industries Inc., (incorporated by reference to Exhibit 3.1 of Lakeland Industries, Inc.'s Form 8-K filed April 28, 2017).
4.1	Description of Securities of the Registrant.
10.1	Employment Agreement dated February 11, 2021, between Allen E. Dillard and the Company (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc. Form 8-K filed February 16, 2021).*
10.2	Employment Agreement dated January 27, 2020, between Charles D. Roberson and the Company (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc. Form 8-K filed January 29, 2020).*
10.3	Form of Stock Option Certificate and Agreement (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc. Form 10-Q filed September 9, 2019).*
10.4	Lakeland Industries, Inc. Form of Indemnity Agreement (incorporated by reference to Exhibit 10.1 to Lakeland Industries, Inc. Form 8-K filed June 29, 2012).
10.5	Lease Agreement dated April 4, 2011, between Wallingfen Park Limited, as lessor, and Lakeland Industries Europe Limited, as lessee (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc. Form 10-Q for fiscal quarter ended April 30, 2015).
10.6	Agreement for the Purchase of Debts dated January 29, 2013 between HSBC Invoice Finance (UK) Limited and Lakeland Industries Europe Limited (incorporated by reference to Exhibit 10.1 to Lakeland Industries, Inc. Form 8-K filed February 25, 2013).
10.7	Fixed Charge on Non-vesting Debts and Floating Charge dated January 29, 2013 between HSBC Invoice Finance (UK) Limited and Lakeland Industries Europe Limited (incorporated by reference to Exhibit 10.2 to Lakeland Industries, Inc. Form 8-K filed February 25, 2013).
10.8	Standard Terms & Conditions dated May 15, 2018, for the debt provided by between HSBC Invoice Finance (UK) Limited and Lakeland Industries Europe Limited (incorporated by reference to Exhibit 10.6 of Lakeland Industries, Inc.'s Form 10-K filed April 16, 2019).
10.9	Amendment to Agreement for Purchase of Debts, dated effectively as of December 3, 2014 between HSBC Invoice Finance (UK) Limited and Lakeland Industries Europe Limited (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc.'s Form 8-K filed December 8, 2014).

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Exhibit No.	Description
10.10	Letter Agreement dated December 5, 2014, between Lakeland Industries, Inc. and HSBC Invoice Finance (UK) Ltd. (incorporated by reference to Exhibit 10.2 of Lakeland Industries, Inc.'s Form 8-K filed December 8, 2014).
10.11	Warehouse Service for Fee Agreement dated February 10, 2016, between Safety Pro, LLC and Lakeland Industries, Inc. (incorporated by reference to Exhibit 10.55 of Lakeland Industries, Inc. Form 10-K filed April 21, 2016).
10.12	Shares Transfer Agreement, dated as of June 18, 2015, by and among Lakeland Industries, Inc., Brasil Industria E Comercio de Roupas E Equipamentos de Protecao Individual Ltda, Zap Comércio de Brindes Corporativos Ltda and Jack Nemer (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc. Form 8-K filed June 25, 2015).
10.13	Lease Agreement dated December 1, 2018, between Tamash S.A., as lessor and Lakeland Argentina S.R.L., as lessee (incorporated by reference to Exhibit 10.20 of Lakeland Industries, Inc.'s Form 10-K filed April 16, 2019).
10.14	Loan Agreement, dated as of June 25, 2020, by and between Lakeland Industries, Inc. and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc.'s Form 8-K filed June 30, 2020).
10.15	Security Agreement, dated as of June 25, 2020, by and between Lakeland Industries, Inc. and Bank of America, N.A. (incorporated by reference to Exhibit 10.2 of Lakeland Industries, Inc.'s Form 8-K filed June 30, 2020).
10.16	Pledge Agreement, dated as of June 25, 2020, by and between Lakeland Industries, Inc. and Bank of America, N.A. (incorporated by reference to Exhibit 10.3 of Lakeland Industries, Inc.'s Form 8-K filed June 30, 2020).
10.17	Non-encumbrance Agreement, dated as of June 25, 2020, by Lakeland Industries, Inc. for the benefit of Bank of America, N.A. (incorporated by reference to Exhibit 10.4 of Lakeland Industries, Inc.'s Form 8-K filed June 30, 2020).
10.18	Employment Agreement, dated December 30, 2020, between Lakeland Industries, Inc. and Steven L. Harvey (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc.'s Form 8-K filed January 5, 2021).*
10.19	Amendment No. 1 to Loan Agreement, dated as of June 18, 2021, by and between Lakeland Industries, Inc. and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc.'s Form 8-K filed June 24, 2021).
10.20	Lakeland Industries, Inc. 2017 Equity Incentive Plan, inclusive of all amendments through June 16, 2021 (incorporated by reference to Exhibit 4.3 of Lakeland Industries, Inc.'s Registration Statement on Form S-8 filed on September 3, 2021).*
10.21	Lakeland Industries, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc.'s Form 8-K filed June 21, 2021).*
10.22	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.4 of Lakeland Industries, Inc. Form 10-Q for fiscal quarter ended July 31, 2021).*
10.23	Amendment to Employment Letter Agreement of Charles D. Roberson (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc.'s Form 8-K filed January 6, 2022).*
10.24	Investment Agreement, dated as of October 18, 2021, by and among Lakeland Industries, Inc., Inova Design Solutions LTD and the other parties thereto (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc.'s Form 8-K filed on October 20, 2021).
10.25	Lease Agreement, by and between Morena de la Garza Gonzalez and Alejandro Mario Gonzalez Quezada and Lakeland Industries, Inc. (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc.'s Form 8-K filed August 17, 2022).
10.26	Continuing Guaranty, dated as of July 6, 2022, by Lakeland Industries, Inc. in favor of Morena de la Garza Gonzalez and Alejandro Mario Gonzalez Quezada (incorporated by reference to Exhibit 10.2 of Lakeland Industries, Inc.'s Form 8-K filed August 17, 2022).
10.27	Form of Performance-Based Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.4 of Lakeland Industries, Inc.'s Form 10-Q

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10.28	Form of Director Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.4 of Lakeland Industries, Inc.'s Form 10-Q filed September 8, 2022) *
10.29	Employment Agreement, dated January 30, 2023, by and between Lakeland Industries, Inc. and Roger D. Shannon (incorporated by reference to Exhibit 10.1 of Lakeland Industries, Inc.'s Form 8-K filed February 2, 2023) *
10.30	Employment Agreement, dated September 1, 2022, by and between Lakeland Industries, Inc. and Hui An*
14.1	Lakeland Industries, Inc. Code of Ethics, as amended on September 29, 2017 (incorporated by reference to Exhibit 14.1 of Lakeland Industries, Inc.'s Form 10-K filed April 16, 2019).
21	Subsidiaries of Lakeland Industries, Inc. (wholly owned) and jurisdictions of incorporation: Lakeland Protective Wear, Inc. (Ontario, Canada) Weifang Meiyang Protective Products Co., Ltd. (China) Weifang Lakeland Safety Products Co., Ltd. (China) Lakeland (Beijing) Safety Products Co., Ltd. (Beijing & Shanghai China) Lakeland Industries Europe Ltd. (Cardiff, United Kingdom) Industrias Lakeland S.A. de C.V. (Zacatecas, Mexico) Lakeland Industries Chile Limitado (Santiago, Chile) Indian Pan-Pacific Sales Ltd. (Hong Kong, China) Lakeland (Hong Kong) Trading Co., Ltd. (Hong Kong, China) Lakeland Argentina, SRL (Buenos Aires, Argentina) Migliara S.A. (Uruguay) Lakeland Glove and Safety Apparel Private, Ltd. (Noida, India) Lakeland India Private Limited, New Delhi, India) RussIndProtection, Ltd. (Moscow, Russia) Art Prom, LLC (Kazakhstan, Russia) SpecProtect LLC (St. Petersburg, Russia) Lakeland (Vietnam) Industries Co., Ltd. (Nam Dinh, Vietnam) Lakeland Industries Australia Pty Ltd. (Mornington, Australia) Eagle Technical Products Limited (Manchester, United Kingdom) SALH1, Inc. (Delaware, United States) SALH2, Inc. (Delaware, United States) SAL Commercial Venture One, S.A. de C.V. (Monterrey, Mexico)
23.1	Consent of Deloitte & Touche LLP, independent registered public accounting firm (filed herewith)
31.1	Certification of the Principal Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of the Principal Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101	Interactive Data Files for the Registrant's Form 10-K for the period ended January 31, 2023, formatted in Inline XBRL.
104	Cover Page Interactive Data File (embedded within the Inline XBRL and contained in Exhibit 101).

*Indicates a management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LAKELAND INDUSTRIES, INC.

Dated: April 17, 2023

By: /s/ Charles D. Roberson
Charles D. Roberson,
Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
<u>/s/ James Jenkins</u> James Jenkins	Chairman of the Board	April 17, 2023
<u>/s/ Charles D. Roberson</u> Charles D. Roberson	Chief Executive Officer, President, Secretary and Director (Principal Executive Officer)	April 17, 2023
<u>/s/ Roger D. Shannon</u>	Chief Financial Officer	April 17, 2023

Roger D. Shannon	(Principal Financial and Accounting Officer)	
<u>/s/ A. John Kreft</u> A. John Kreft	Director	April 17, 2023
<u>/s/ Jeffrey Schlarbaum</u> Jeffrey Schlarbaum	Director	April 17, 2023
<u>/s/ Thomas McAteer</u> Thomas McAteer	Director	April 17, 2023
<u>/s/ Christopher J. Ryan</u> Christopher J. Ryan	Director	April 17, 2023
<u>/s/ Nikki Hamblin</u> Nikki Hamblin	Director	April 17, 2023

Execution

December 2, 2022

Agreement

for the sale and purchase of the issued shares of
Eagle Technical Products Limited

Longworth Limited and
Lakeland Global Safety, Ltd



Lockett Loveday McMahon
4 Oxford Court
Manchester
M2 3WQ
Tel: 0161 237 3627

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DATED: December 2, 2022

PARTIES

- (1) **LONGWORTH LIMITED** (NO. 00336890) whose registered office is at Leltex House, Longley Lane, Manchester M22 4SY ("**Seller**")
- (2) **LAKELAND GLOBAL SAFETY, LTD** Units 9-10 Jetpark, Jetpark Way, 244 Main Road, Newport, East Yorkshire, United Kingdom, HU15 2JU ("**Buyer**").

BACKGROUND

The Seller have agreed to sell and the Buyer has agreed to buy all of the shares of the Company on the terms and subject to the conditions of this Agreement.

AGREED TERMS

1. DEFINITIONS AND INTERPRETATION

- 1.1 In this Agreement, the following words shall have the following meanings:

Accounts	the accounts of the unaudited amounts of the Company as at the Accounts Date and the related notes to the accounts as required by law and applicable accounting standards, as prepared under section 394, section 398 or section 399 (as applicable) CA 2006 (copies of which are included in the Disclosure Documents).
Accounts Date	April 30, 2022
Affiliate	in relation to a Party that is a corporate entity, any subsidiary or holding company of that party and any subsidiary of such holding company.
Bank Debt	the aggregate amount of indebtedness owed by the Company to financial institutions at the Transfer Time.
Business Day	a day which is not a Saturday or Sunday or a bank or national holiday in England.
Buyer Group	the Buyer and, from time to time, any subsidiary of the Buyer and any holding company of the Buyer, and any subsidiary of a holding company of the Buyer (each such company being a Buyer Group Company , together the Buyer Group Companies).
Buyer's Solicitors	Maynard Cooper & Gale P.C.
CA 2006	the Companies Act 2006.
Cash	in respect of the Company, the aggregate amount at the Transfer Time of: (a) all cash in hand; (b) cash credited to any of its accounts with a financial institution; (c) and cash that is held as a deposit by a third party in respect of some (or all) of the Premises (valued in accordance with the policies set out in Part 2 of Schedule 3); and

	(d) cash in transit at Completion receivable by the Company and cheques received and paid into any bank account of the Company on or before Completion; and in each case which clear after Completion.
	Less
	(e) cash in transit as at the Transfer Time paid by the Company and cheques issued on or before the Effective Time by the Company which are to be cleared through the bank accounts of the Company after the Effective Time.
Claim	any claim for a breach of this Agreement by the Seller.
Company	Eagle Technical Products Limited, a company incorporated and registered in England and Wales with company number 04385015, details of which are set out in Schedule 2.
Completion	completion of the sale and purchase of the Sale Shares by the Parties performing their obligations under Clause 4.2.
Completion Balance Sheet	balance sheet for the Company as at the Transfer Time to be prepared by the Buyer and agreed with the Seller or determined in accordance with Part 1 of Schedule 3 in the format set out in Part 3 of Schedule 3.
Completion Date	the date of this Agreement.
Completion Payment	the amount determined in accordance with Schedule 4
Completion Statement	the statement of the financial position of the Company to be prepared by the Seller and agreed with the Buyer or determined in accordance with Schedule 3 in the format set out in Part 3 of Schedule 3.
Confidential Information	all information, know-how and trade secrets, whether provided in documentary, electronic, oral or any other form, concerning the business, financial affairs or customers, clients and/or suppliers of the Company (including future plans and targets of the Company) which is not in the public domain.
Connected Person	a person connected (within the meaning of ss 1122 and 1123 CTA 2010) with the Seller.

Control

in relation to any person:

- (a) the right to receive (directly or indirectly) through ownership of shares, partnership interests or other rights more than 50% of the profits of that person available from time to time for distribution or more than 50% of the assets available for distribution on a winding up or other form of dissolution of that person;
- (b) the ability (directly or indirectly) to cast or direct the casting of more than 50% of the votes exercisable at meetings of the shareholders, partners or other governing body of such person on all, or substantially all, matters;
- (c) the right (directly or indirectly) to appoint or remove directors or managers of such person holding a majority of the voting rights at meetings of the directors or managers on all, or substantially all, matters;
- (d) the power (directly or indirectly) generally to direct the management and policy of that person and secure how the affairs of that person are conducted by virtue of an agreement or constitutional document relating to that person or on other grounds; and/or
- (e) the entitlement to acquire any of the rights or powers in paragraphs (a), (b), (c) or (d) above,
- (f) and the expressions **Controlling** and **Controlled** shall be construed accordingly.

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has the meaning given in Schedule 8.

Data Room

the online Data Room of documents disclosed by the Seller to the Buyer

Debt

the following amounts, together with any accrued interest:

- (a) overdrafts, any moneys borrowed and any other liabilities of a funding nature, including the Bank Debt and any liabilities associated with any receivables finance agreement, copies of which have been made available to Buyer;
- (b) receivables sold or discounted (other than any receivables sold on a non-recourse basis);
- (c) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP be treated as a finance or capital lease;
- (d) any break fees, prepayment fees or other amounts, interest, costs, expenses or penalties relating to the termination or repayment of any of the items referred to in paragraphs (a) to (j);
- (e) any bonuses accrued to employees for the period prior to Completion in respect of the transaction contemplated in this Agreement;

	(f) any bonuses payable to staff in respect of their termination of employment on or prior to Completion; (g) any Liability for Tax in respect of Corporation Tax accrued or attributable to the period prior to Completion; (h) any other Indebtedness of the Company not specifically referred to in paragraphs (a) to (g).
Disclosed	those matters contained in the Disclosure Letter in such a manner and in such detail so as to enable the Buyer to make an informed and accurate assessment of the matter concerned and its impact (including the likely cost, liability or financial effect) on the Company and the business carried on by the Company.
Disclosure Documents	the Disclosure Letter and the documents stored on the USB flash drive(s) being the documents contained in the Data Room, in agreed form, attached to the Disclosure Letter (an index of which, in agreed form, is attached to the Disclosure Letter).
Disclosure Letter	the letter dated the date of this Agreement from the Seller to the Buyer and delivered to the Buyer and/or the Buyer's Solicitors prior to exchange of this Agreement, disclosing certain matters in relation to the Warranties.
Earn Out Payments	the Earn Out payments (if any) calculated in accordance with Schedule 6.
Employment Agreement	an employment agreement in agreed terms between the Company and Kevin Rae.
Escrow Amount	an amount of cash initially equal to £450,000, which will be funded by Buyer within ten (10) Business Days of the Completion Date and held in a segregated account by Buyer at HSBC Plc and used to provide funding to the Buyer or Buyer Indemnitees for Liabilities to which such Buyer Indemnitees are entitled to be indemnified or otherwise compensated for, by Seller, pursuant to this agreement.
Escrow Release Date	As defined in section 5.6
Final Adjustment Payment	has the meaning given in Clause 5.2.
Final Escrow Amount	The Escrow Amount at the Escrow Release Date.
GAAP	all generally accepted accounting principles in the United Kingdom.
General Warranties	the warranties given by the Seller pursuant to Clause 6.2 and set out in Part 2 of Schedule 7 and General Warranty shall mean any one of them.
General Warranty Claim	a claim for breach of a General Warranty.
Guarantee	any guarantee, indemnity, suretyship, letter of comfort or other assurance, security or right of set-off (each a Relevant Guarantee) given or undertaken by a person to secure or support the obligations of any third party and whether given or undertaken

directly or by way of counter-indemnity to any third party who has provided a Relevant Guarantee.

Indebtedness

all loans or other financing liabilities or obligations, together with accrued interest, including (without double counting):

- (a) overdrafts, any moneys borrowed and any other liabilities of a funding nature;
- (b) any amount raised by way of acceptance under any acceptance credit facility;
- (c) receivables sold or discounted (other than any receivables sold on a non-recourse basis);
- (d) liabilities under sale and leaseback arrangements;
- (e) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP be treated as a finance or capital lease;
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (h) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price;
- (i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;
- (j) any deferred or contingent consideration in relation to any acquisition of any business, asset or undertaking (for the avoidance of doubt not including the Retention);
- (k) any break fees, prepayment fees or other amounts, interest, costs, expenses or penalties relating to the termination or repayment of any of the items referred to in paragraphs (a) to (j);
- (l) any funding deficit in relation to pensions;
- (m) any expenses accrued to third parties for the period prior to Completion in respect of the transaction contemplated in this agreement
- (n) any customer deposits
- (o) the amount of any liability in respect of any guarantee or indemnity in respect of any of the items referred to in paragraphs (a) to (n)

but excluding trading debt or liabilities arising in the ordinary course of business.

Intellectual Property Rights	patents, rights to inventions, copyright and related rights, trademarks and service marks, trade names and domain names, rights to goodwill or to sue for passing off or unfair competition, rights in designs, rights in computer software, database rights, rights in confidential information and any other intellectual property rights, in each case whether registered or unregistered and including all applications (or rights to apply) for, and renewals or extensions of, such rights and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world (each an Intellectual Property Right).
Law	all forms of law, whether civil, criminal or administrative, including all legislation (primary and secondary), statutes and subordinate legislation, regulations, orders and ordinances, codes of practice, circulars, guidance notes and the like, local laws and judgments, notices, orders, directions, instructions or awards, instruments, by-laws and other measures or decisions having the force of law, conventions and other agreements between states, or between states and any supranational bodies, rules of common law, customary law and equity and all civil and other codes, judgments and decisions having force of law and all other laws of, or having effect in, any jurisdiction from time to time.
Liabilities	in relation to any matter, all liabilities for the matter in question, including all actions, proceedings, damages, losses, liabilities, costs (including legal costs), charges, expenses, interest, actions, proceedings, claims, penalties, fines and demands actually incurred or suffered by, or bought or made against, a Party as applicable in respect of that matter and Liability shall be construed accordingly.
Management Accounts	the unaudited management accounts of the Company for the period commencing on the date immediately following the Accounts Date and ended on the Completion Date (a copy of which is included in the Disclosure Documents).
Nominated Account	the Seller's Solicitors' client account numbered * * * at National Westminster Bank Plc, sort code * * *
NSIA	the National Security Investment Act 2021.
Party	a party to this Agreement, being the Seller and the Buyer.
Previous Accounts	the accounts equivalent to the Accounts in respect of the accounting period immediately preceding the accounting period ended on the Accounts Date.
Price	the aggregate of:

- (a) £9,000,000 (being the agreed enterprise value); plus
 - (b) the aggregate of the Cash; minus
 - (c) the Debt; plus
 - (d) the Working Capital Adjustment (this amount may be a positive or negative value), plus
 - (e) the Earn Out Payments, less
 - (f) the Escrow Amount, plus
 - (g) the Final Escrow Amount
- in respect of the Company.

Quasi-security

an arrangement or transaction under which a Group Company will:

- (a) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or acquired or re-acquired by the Company;
- (b) sell, transfer or otherwise dispose of any of its receivables on recourse terms;
- (c) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or
- (d) enter into any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising financial indebtedness or of financing the acquisition of an asset.

Questionnaire

the National Security and Investment Act 2021: notifiable acquisition screening questionnaire completed by the Company on behalf of the Seller and returned to the Buyer and its advisers on the 17th day of November, 2022.

Regulator

a regulatory, administrative, supervisory, government, governmental, supranational, European or international agency, body or authority with national, supranational or international jurisdiction over particular activities or conduct and power to:

- (a) enforce particular Law, rules or codes of conduct;
- (b) take enforcement action including issuing penalties, legal proceedings (criminal or civil) and statutory notices;
- (c) conduct investigations, raids, audits or searches including in relation to suspected breaches of particular laws, legislation, codes of conduct, approved codes of practice or industry standards;

	(d) issue and/or enforce rules, guidance, codes of conduct, approved codes of practice or industry standards; and/or (e) grant, suspend, amend or revoke a permission, certification, licence, registration, consent or authorisation required for a particular site, business undertaking, premises, activity, event or purpose.
Regulatory Requirements	such codes of conduct, approved codes of practice and industry standards as shall be issued by a Regulator having authority over a Company's business or activities, or part thereof, to the extent that they shall be applicable to the Company's business or activities.
Sale Shares	the entire issued share capital of the Company comprising 500, Ordinary Shares of £1.00.
Seller's Solicitors	Lockett Loveday McMahon Solicitors.
Tax	has the meaning given in Schedule 8.
Tax Authority	has the meaning given in Schedule 8.
Tax Claim	a Tax Warranty Claim or a Tax Covenant Claim.
Tax Covenant	the covenant set out in paragraph 3.1 of Part 3 of Schedule 8.
Tax Covenant Claim	a claim under the Tax Covenant.
Tax Warranties	the representations and warranties given by the Seller pursuant to Clause 6.3 and set out in Part 2 of Schedule 8 and Tax Warranty shall mean any one of them.
Tax Warranty Claim	a claim for breach of a Tax Warranty.
Title and Capacity Warranties	the representations and warranties given by the Seller pursuant to Clause 6.1 and set out in Part 1 of Schedule 7 and Title and Capacity Warranty shall mean any one of them.
Title and Capacity Warranty Claim	a claim for breach of a Title and Capacity Warranty.
Transaction	the transactions contemplated by this Agreement or any part of those transactions.
Transaction Documents	this Agreement and any other agreement or document entered into between (i) the Buyer and (ii) the Seller on or about the date of this Agreement in connection with the Transaction, including any document in agreed form or which is annexed to or expressly incorporated in this Agreement (each a Transaction Document)
Transition Services Agreement	Transition Services agreement between Seller and Company, effective as of the Completion Date setting forth the services to be provided by Seller, at a charge, to Buyer and Company.
Transfer Time	11:59pm on the Completion Date.
VAT	has the meaning given in Schedule 8.

Warranties	the Title and Capacity Warranties, the General Warranties and the Tax Warranties and Warranty shall mean any one of them.
Warranty Claim	a claim for breach of a Warranty.
Working Capital	the total current assets of the Company (excluding any item included in the Cash) less the total current liabilities of the Company (excluding any item included Debt), as at the Transfer Time as set out in the Completion Statement.
Working Capital Adjustment	the difference between the Working Capital and the Working Capital Target, provided that: (a) if the Working Capital exceeds the Working Capital Target, such amount shall be expressed as a positive value; and (b) if the Working Capital is less than the Working Capital Target, such amount shall be expressed as a negative value.
Working Capital Target	£496,000.

1.2 In this Agreement, unless the context otherwise requires:

- 1.2.1 a reference to a document in **agreed form** is to a document in the form agreed by the Seller (or the Seller on its behalf) and the Buyer, or by the Seller's Solicitors and the Buyer's Solicitors on behalf of the Parties, and either initialled or otherwise confirmed for the purposes of identification in some other way;
- 1.2.2 references to a clause or Schedule are to a clause of, or schedule to, this Agreement, references to this Agreement include its schedules and references in a Schedule to a paragraph are to a paragraph of that Schedule;
- 1.2.3 references to this Agreement or any other agreement or document referred to in this Agreement are to this Agreement or such other agreement or document as amended, assigned or novated (in each case, other than in breach of the provisions of this Agreement) from time to time;
- 1.2.4 the Schedules form part of this Agreement and shall have effect as if set out in full in the body of this Agreement;
- 1.2.5 words denoting the singular include the plural and vice versa;
- 1.2.6 words denoting any gender include every gender;
- 1.2.7 a reference to a **person** includes a natural person, company, limited liability partnership, partnership or other unincorporated body (whether or not having separate legal personality);
- 1.2.8 a reference to a **company** includes any company, corporation or other body corporate, wherever and however incorporated or established;
- 1.2.9 a reference to a **holding company** or a **subsidiary** means a holding company or a subsidiary (as the case may be) as defined in section 1159 CA 2006 and for the purposes only of the membership requirement contained in sections 1159(1)(b) and (c), a company shall be treated as a member of another company even if its shares in that other company are registered in the name of:

- (a) another person (or that other person's nominee) by way of security or in connection with the taking of security; or
 - (b) its nominee;
- 1.2.10 the table of contents and headings do not affect its interpretation;
- 1.2.11 **writing** or **written** does not include fax or any other form of electronic communication;
- 1.2.12 the terms **including**, **include**, **in particular** or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms;
- 1.2.13 a reference to a Party includes that Party's successors in title, permitted assignees, estates and legal personal representatives;
- 1.2.14 other than in relation to any of the Warranties, a reference to a statutory provision is a reference to that provision as amended, consolidated, extended or re-enacted from time to time (whether before or after the date of this Agreement) and to any subordinate legislation made under it;
- 1.2.15 a reference to any statute, statutory instrument, regulation, by-law or other requirement of English law and to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, procedure, court, official or any legal concept or doctrine shall in respect of any jurisdiction other than England be deemed to include that which most nearly approximates in that jurisdiction to the English term;
- 1.2.16 where any Warranty or other statement is qualified by a reference (howsoever expressed) to the awareness, knowledge, information or belief of the Seller, the Seller shall be deemed to have made all reasonable enquiries into the subject matter of the Warranty or statement including making reasonable enquiry of each of Kevin Rae and Vince O'Brien;
- 1.2.17 references to a time shall mean London time unless otherwise stated.

2. SALE AND PURCHASE

- 2.1 The Seller will sell the Sale Shares with full title guarantee and free from all Encumbrances and the Buyer will buy all such Sale Shares.
- 2.2 The Sale Shares will be sold with all rights attaching or accruing to them on and from the date of this Agreement (including the right to receive all dividends or distributions declared or payable in respect of them on or after the date of this Agreement).
- 2.3 The Buyer shall not be obliged to buy any of the Sale Shares unless the purchase of all the Sale Shares is completed simultaneously.

3. PRICE

- 3.1 The consideration payable for the Shares shall be the Completion Payment which will be paid in accordance with Clause 4.2.2, subject to adjustment in accordance with Clause 5 and further adjustment (i) if Earn Out Payments become due to Seller under Section 5.5 or (ii) from any Escrow Amount paid to Seller.
- 3.2 Payments made by the Seller to the Buyer (as damages for breach of a Warranty, under the Tax Covenant or otherwise) will be treated as a reduction to that part of the Price payable for the Sale Shares to such Seller and for the purposes of Tax only.

4. COMPLETION

- 4.1 Completion will take place at the offices of the Seller's Solicitors (or at any other place agreed between the Seller and the Buyer) immediately following execution and exchange of this Agreement.
- 4.2 At Completion:
- 4.2.1 the Seller will:
- (a) deliver to the Buyer the items listed in Paragraph 1 of Schedule 5; and
 - (b) procure the holding of a board meeting of the Company at which, amongst other things, the matters set out in Paragraph 2 of Schedule 5 will be approved or carried out; and
- 4.2.2 subject to the Seller complying with its obligations under Clauses 4.2.1, the Buyer will:
- (a) pay the Completion Payment into the Nominated Account by electronic funds transfer on account of the Price; and
 - (b) deliver to the Seller's Solicitors the items listed in Paragraph 3 of Schedule 5.
- 4.3 Notwithstanding Completion:
- 4.3.1 each provision of this Agreement (and any other Transaction Document) not performed at or before Completion but which remains capable of performance;
- 4.3.2 the Warranties; and
- 4.3.3 all covenants and other undertakings contained in or entered into pursuant to this Agreement (and any other Transaction Document),
- shall remain in full force and effect and (except as otherwise expressly provided) without limit in time.
- 4.4 The Seller's Solicitors are authorised to receive on behalf of the Seller all payments made by the Buyer to the Nominated Account and receipt into the Nominated Account will be good discharge of the Buyer's obligation to pay such sums.

5. COMPLETION STATEMENT, EARN OUT PAYMENT AND FINAL ESCROW AMOUNT

- 5.1 Following Completion, the Completion Balance Sheet and the Completion Statement will be prepared and agreed or determined in accordance with Schedule 3.
- 5.2 Within 10 Business Days of agreement or determination of the Completion Balance Sheet and the Completion Statement in accordance with Schedule 3:
- 5.2.1 if the Price, less the Escrow Amount, is less than the Completion Payment, the Seller will repay to the Buyer an amount equal to that shortfall;
- 5.2.2 if the Price, less the Escrow Amount, exceeds the Completion Payment, the Buyer will repay to the Seller an amount equal to that excess
- (each a **Final Adjustment Payment**) or if the Price is equal to the Completion Payment, no further payment shall be required.

- 5.3 The Final Adjustment Amount will be paid no later than five Business Days after the date on which the Completion Balance Sheet and the Completion Statement are finally agreed or determined in accordance with Schedule 3 in immediately available funds credited for same day value:
- 5.3.1 if owed by the Seller to the Buyer, to the account notified by the Buyer by e-mail to the Seller; or
- 5.3.2 if owed by the Buyer to the Seller to the Nominated Account, and receipt of such payment will be an effective discharge of the relevant payment obligation and the payer will not be answerable for its loss or misapplication.
- 5.4 The Final Adjustment Amount will accrue interest calculated on a daily basis for the period from but excluding the Completion Date to and including the date of payment at the rate per annum of 5% above the base rate from time to time of HSBC Bank plc.
- 5.5 The Earn Out Payments (if any) shall be calculated in accordance with Schedule 7 and shall be paid within five Business Days of the payments to be agreed or determined.
- 5.6 On the first Business day following the one year anniversary of the Completion Date (the "**Escrow Release Date**"), if there is no outstanding claim for indemnification by Buyer under this agreement, the Final Escrow Amount shall be paid to Seller in immediately available funds, to the Nominated Account and receipt of such payment will be an effective discharge of the relevant payment obligation and the payer will not be answerable for its loss or misapplication. If on the Release Date there is an outstanding claim for indemnification or breach of contract against Seller, related to this Agreement, then the Release Date shall be postponed until such action is definitively concluded.

6. WARRANTIES

- 6.1 The Seller warrants to the Buyer that each and every Title and Capacity Warranty is, as at the Completion Date, true, correct and accurate.
- 6.2 The Seller warrants to the Buyer except as Disclosed in the Disclosure Letter that each and every General Warranty is, as at the Completion Date, true, correct and accurate.
- 6.3 The Seller warrants to the Buyer except as Disclosed in the Disclosure Letter that each and every Tax Warranty is, as at the Completion Date, true, correct and accurate.
- 6.4 The Seller warrants to the Buyer that the Company is not, nor has been, involved in any activities or operations that may raise national security concerns or give rise to a risk to national security in the UK.
- 6.5 The Seller warrants to the Buyer, to its knowledge the Company is not, nor has been, involved in any activities or operations in close proximity to a sensitive site (such as a critical national infrastructure site or government building).
- 6.6 The Seller warrants to the Buyer that no transaction involving the Company has taken place on or after 12 November 2020 which constitutes a trigger event within the meaning of section 5 of the NSIA.
- 6.7 The Seller warrants to the Buyer that the information provided in the Questionnaire and the other confirmations provided to the Buyer and its advisers in response to the enquiries raised is true and accurate.
- 6.8 The Seller acknowledges that the Buyer is relying upon each of the Warranties in entering into this Agreement.
- 6.9 Each Warranty is separate and independent so that the Buyer will have a separate Claim for every breach of each Warranty.

6.10 The liability of the Sellers under this Agreement is regulated by and subject to the provisions of Schedule 9.

6.11 The Buyer warrants to the Seller:

6.11.1 the Buyer has full (corporate) power and authority to enter into this Agreement and to perform fully the obligations to be performed by it under this Agreement;

6.11.2 this Agreement is valid and binding upon the Buyer and enforceable in accordance with its terms;

6.11.3 the execution and delivery of this Agreement by the Buyer will not, and the consummation of the transaction contemplated by this Agreement and the compliance by the Buyer with the provisions of this Agreement will not, result in a breach of or constitute a default under any decree, order, rule of any Governmental authority which is binding on the Buyer;

6.11.4 other than as referred to in this Agreement, no consent or approval by, notice to or registration with any Governmental or other authority is required on the part of the Buyer in connection with the execution of this Agreement or the consummation of the transactions as contemplated under this Agreement.

7. RESTRICTIVE COVENANTS

7.1 In this Clause 7:

Business means the business of the manufacture of technical fire resistant apparel as at the date of this Agreement;

Relevant Period means twelve months prior to the Completion Date.

7.2 To protect the goodwill, connections and know-how of the Company and the value of the Sale Shares, the Seller undertakes to the Buyer and the Company that, except with the written consent of the Buyer, it will not, directly or indirectly:

7.2.1 at any time during the period of three years commencing on the Completion Date, whether on the Seller's own behalf or with or on behalf of any other person:

- (a) carry on or be engaged, concerned or interested, whether as a shareholder, partner, director, consultant, agent or otherwise, or in any way assist in the conduct of any business which is or may in any way compete with all or any part of the Business as conducted at the time of Completion;
- (b) canvass, solicit or approach or cause to be canvassed, solicited or approached or endeavour to entice away from the Company any person who is at the Completion Date, or was during the Relevant Period, a client or customer of the Company, with a view to offering them goods or services that in any way compete with all or any part of the Business;
- (c) in competition with the Business or any part of it, deal with or accept or facilitate the acceptance of the custom or business of any person who is, or shall during the Relevant Period have been, a client or customer of the Company;
- (d) in competition with the Business or any part of it, deal with or accept or facilitate the acceptance of the custom or business of any person who is, or shall during the Relevant Period have been, in discussions with the Company with a view to becoming a client or customer of the Company;

- (e) have any business dealings with, or solicit, entice or attempt to entice away, any person who is at the Completion Date, or has during the Relevant Period been, a supplier of goods or services to the Company, if such dealings, solicitation or enticement causes or is reasonably likely to cause such supplier to cease supplying, or to reduce its supply of goods or services to, the Company, or to vary adversely the terms upon which it conducts business with the Company; or
 - (f) solicit or entice or endeavour to solicit or entice away from the Company or offer employment to or offer to conclude any contract of services with or procure or facilitate the making of such an offer to any person engaged or employed in an executive, managerial, sales, technical or other senior position at, or during the period of six months immediately prior to, the Completion Date provided that the Seller shall be entitled to offer employment in a business (other than a business operated in contravention of Clause 7.2.1(a) above) to a person who responds to a general job advertisement (and not a job advertisement which is specifically aimed at a person or which is specifically sent to a person);
- 7.2.2 at any time use, register or attempt to register, or allow any third party to use, register or attempt to register:
 - (a) any trade or service mark, business or domain name, design or logo (whether registered or not) which was used by the Company during the Relevant Period (**Relevant Mark**); or
 - (b) any trade or service mark, business or domain name, design or logo which is, in the reasonable opinion of the Buyer, capable of confusion with any Relevant Mark;
- 7.2.3 at any time after the Completion Date, do or say anything which may be harmful to the reputation of the Company; or
- 7.2.4 at any time after the Completion Date, represent itself or herself (or permit itself to be represented) as:
 - (a) connected in any capacity with the Company (save in the normal course of employment or engagement by the Company to the extent that such employment or engagement continues after Completion); or
 - (b) interested in any way in the Sale Shares (or any of them).
- 7.3 The restrictions in Clause 7.2.1(a) do not prohibit the Seller from each holding for investment purposes only up to 3% of the shares of any company that is listed or dealt in on a recognised investment exchange (as defined by section 285(1)(a) of the Financial Services and Markets Act 2000) at any time.
- 7.4 Each of the covenants in Clause 7.2 are separate and if one or more of these covenants is held to be void or unenforceable, the validity of the remaining covenants is unaffected.
- 8. CONFIDENTIALITY AND ANNOUNCEMENTS**
- 8.1 The Seller undertakes to the Buyer and the Company that the Seller shall:
 - 8.1.1 keep confidential and not disclose to any third party, except as expressly permitted by Clause 8.3:
 - (a) the negotiations relating to this Agreement;
 - (b) the existence or terms of this Agreement and/or any of the other Transaction Documents;

- (c) the Confidential Information; and
- (d) all and any confidential information, know-how and trade secrets in that Seller's knowledge or possession concerning the business, affairs, customers, clients or suppliers of any Buyer Group Company.

8.1.2 not make use of any Confidential Information.

8.2 Subject to Clauses 8.3 and 8.4, the Seller shall not make, or permit any person to make, any public announcement, communication or issue any circular concerning this Agreement, the other Transaction Documents or any transactions effected by them except in the terms of a press release in agreed form provided that if a press release is agreed, the Seller shall delay any permitted announcement, communication or circular so that it shall not be made before the expiry of five Business Days after Completion unless the Buyer shall have confirmed in writing that the Seller may do so within that period.

8.3 In respect of information referred to in any of Clauses 8.1.1(a), 8.1.1(b) or 8.1.1(c) and the making of any announcement or other form of communication referred to in Clause 8.2, the obligations of the Seller in Clauses 8.1 and 8.2 do not apply:

- 8.3.1 to the disclosure of such information by the Seller with the prior written consent of the Buyer;
- 8.3.2 to the disclosure of such information by the Seller or the making of such announcement or communication by the Seller as required by Law;
- 8.3.3 if and to the extent that the disclosure of such information by the Seller or the making of such announcement or communication by the Seller is required by any regulatory, governmental or similar body, including any Tax Authority or securities exchange;
- 8.3.4 to the disclosure of such information by the Seller to professional advisers for the purpose of advising that Seller on exercising or performing that Seller's rights or obligations under this Agreement or another Transaction Document; or
- 8.3.5 to information which is in the public domain other than as a result of a breach of Clause 8.1 (or any other confidentiality obligation) or Clause 8.2,

provided that any disclosures of information by the Seller and/or the making of any announcements or communications by the Seller pursuant to Clause 8.3.2 and/or Clause 8.3.3 shall, so far as practicable, be made after consultation with the Buyer in advance and after taking into account the Buyer's reasonable requests as to the timing, content and manner of disclosure, of the information, or as to the timing and content of the announcement or communication.

8.4 The Buyer may at any time after Completion announce its acquisition of the Sale Shares to any person employed by the Company or a Buyer Group Company.

9. SELLER'S COVENANTS AND UNDERTAKINGS

9.1 The Seller hereby declares that, for so long as the Seller remains the registered holder of any of the Sale Shares after Completion, the Seller will:

- 9.1.1 hold such Sale Shares and any dividends or other distributions of profits or surplus or other assets in respect thereof, and all rights arising out of or in connection with such Sale Shares, on trust for the Buyer; and
- 9.1.2 at all times thereafter deal with and dispose of the Sale Shares and all such dividends, distributions and rights as the Buyer may direct.

9.2 The Seller by the Seller's execution of this Agreement appoints the Buyer to be the Seller's attorney from and after Completion, granting to the Buyer full power on that Seller's behalf to exercise all voting and other related rights attaching to the Sale Shares sold by that Seller, including power:

- 9.2.1 to execute a form of proxy in favour of such person or persons as the Buyer may think fit to attend and vote as that Seller's proxy at any general meeting of the members, or separate class meeting of any class of members, of the Company in respect of such Sale Shares;
- 9.2.2 to consent to the convening and holding of any such meeting and the passing of the resolutions to be submitted at any such meeting on short notice;
- 9.2.3 to signify agreement to any written resolution of the members of the Company or separate class of members of the Company in respect of such Sale Shares; and
- 9.2.4 to settle the terms of such resolutions as are required, and generally to procure that the Buyer or its nominees are duly registered as the holders of all the Sale Shares.

in each case in such manner as the Buyer may decide.

10. TAX

10.1 The provisions of Schedule 8 apply.

10.2 Tax Covenant Claims are subject to the provisions of Schedule 9 but only to the extent set out in that Schedule 9

11. COSTS AND EXPENSES

11.1 All stamp, transfer and registration taxes payable in connection with the sale of the Sale Shares shall be payable by the Buyer.

11.2 Except as expressly provided in this Agreement, each Party shall pay its own costs and expenses incurred in connection with the negotiation, preparation and execution of this Agreement and the other Transaction Documents.

11.3 The Company will not bear any professional costs incurred in connection with the Transaction, this Agreement or any of the other Transaction Documents, save to the extent that the Buyer shall otherwise agree in writing, and to the extent any such costs have been incurred by or on behalf of the Seller, the Seller shall jointly and severally indemnify the Company, or as the Buyer directs, on demand for the amount so incurred by it.

12. ENTIRE AGREEMENT

12.1 This Agreement (together with the other Transaction Documents) constitutes the entire agreement between the Parties and all previous heads of agreement, agreements, arrangements, promises, assurances, warranties, representations and understandings between them, whether written or oral, relating to its subject matter are superseded and extinguished (and all rights and liabilities arising by reason of them, whether accrued or not at the date of this Agreement are cancelled).

12.2 Each Party agrees that it does not rely on and will have no remedies in respect of any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this Agreement or the other Transaction Documents.

12.3 Nothing in this Clause 12 shall operate to limit or exclude any liability for fraud.

13. COUNTERPARTS

- 13.1 This Agreement may be executed in any number of counterparts by the Parties, each of which when executed and delivered will constitute an original, but all of which together will constitute one and the same agreement.
- 13.2 No counterpart will be effective until each Party has executed and delivered one or more counterparts.

14. NOTICES

- 14.1 Any notice required to be given under this Agreement:
- 14.1.1 shall be in writing and in English;
 - 14.1.2 shall be sent to the relevant Party (including as the Seller) for the attention of the contact and to the address specified in Clause 14.2 or Schedule 1, as the case may be, or to such other contact or address as that Party (including as the Seller) may notify in accordance with Clause 14.3;
 - 14.1.3 shall be:
 - (a) delivered personally by hand;
 - (b) delivered by a reputable international overnight courier;
 - (c) sent by pre-paid first class post, recorded delivery or special delivery; or
 - (d) sent by airmail or by reputable international overnight courier (if the notice is to be served by post to an address outside the country from which it is sent).
- 14.2 The addresses and contacts for service of notices on the Buyer and each of the Seller (including the relevant Seller as the Seller) are:
- 14.2.1 Buyer
 - (a) Lakeland Industries Inc, 1525 Perimeter Parkway, Suite 325, Huntsville, AL 35806, USA
 - (b) for the attention of: Allen Dillard
 - 14.2.2 Seller
 - (a) address: as set out in Schedule 1
 - (b) for the attention of: Vince O'Brien
- 14.3 A Party may change its details for service of notices as specified in Clause 14.2 or Schedule 1 by giving notice. Any change notified pursuant to this Clause shall take effect at 9.00 am on the later of:
- 14.3.1 the date, if any, specified in the notice as the effective date for the change; and
 - 14.3.2 the date five Business Days after deemed receipt of the notice of change.
- 14.4 Any notice shall be deemed to have been duly received:
- 14.4.1 if delivered personally by hand, when left at the address and for the contact pursuant to Clause 14.2;

- 14.4.2 if sent by pre-paid first class post, recorded delivery or special delivery, at 9.00 am on the second Business Day after posting (as evidenced by proof of postage issued to the sender);
- 14.4.3 if sent within the UK by a reputable international overnight courier, at 9.00 am on the second Business Day after despatch (as evidenced by the receipt issued to the sender by the courier); or
- 14.4.4 if sent outside or from outside the UK by airmail or by a reputable international overnight courier, at 9.00 am local time on the fifth Business Day after posting or despatch (as evidenced by proof of postage issued to the sender or by the receipt issued to the sender by the courier),

provided that if deemed time of receipt would occur outside Usual Business Hours, the notice shall be deemed to have been received when Usual Business Hours next recommence. For the purposes of this Clause, **Usual Business Hours** means 9.00 am to 5.30 pm local time on any day which is not a Saturday, Sunday or public holiday in the place of receipt of the notice.

- 14.5 The provisions of this Clause 14 shall not apply to the service of any proceedings or other documents in any legal action or, where applicable, any arbitration or other method of dispute resolution.
- 14.6 A notice given under or in connection with this Agreement is not valid if sent by fax or e-mail.

15. SEVERABILITY

Each provision of this Agreement is severable and distinct from the others. If any provision of this Agreement is or becomes to any extent invalid, illegal or unenforceable under any enactment or rule of law in any jurisdiction, but would be valid, legal and enforceable if the provision were modified, that provision will apply with whatever modification is necessary to make it valid, legal and enforceable. If such modification is not possible, it will to that extent be severed from the remainder of this Agreement and in either case neither the validity, legality or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will be affected.

16. RIGHTS OF THE PARTIES

- 16.1 The rights and remedies of each Party under this Agreement are cumulative and additional to any other rights or remedies provided by law or otherwise available to such Party.
- 16.2 The Parties agree that damages may not be an adequate remedy for any breach of this Agreement (including Clauses 7 and 8) and accordingly each Party accepts that the others should be entitled, without proof of special damage, to the remedies of injunction, specific performance and/or other equitable relief.

17. RIGHTS OF THIRD PARTIES

- 17.1 No third party (as defined in the Contracts (Rights of Third Parties) Act 1999) except for any permitted successor or assignee of any Party, has any rights under that Act to enforce any term of this Agreement.
- 17.2 The rights of any Party to terminate, rescind or agree any variation, waiver or settlement under this Agreement are not subject to the consent of any third party.

18. ASSIGNMENT

- 18.1 No Party shall assign, transfer, mortgage, charge, declare a trust of, or deal in any other manner with, any or all of its rights and obligations under this Agreement.

19. LANGUAGE

This Agreement is drafted in the English language. If this Agreement is translated into any language other than English, the English language version will prevail.

20. WAIVER

20.1 A waiver by a Party of any right or remedy under this Agreement must be in writing and may be given subject to any conditions thought fit by the grantor. No failure or delay by a Party to exercise any right or remedy provided under this Agreement or by law shall constitute a waiver of that or any other right or remedy, nor shall it preclude or restrict the future exercise of that or any other right or remedy. No single or partial exercise of such right or remedy shall preclude or restrict the further exercise of that or any other right or remedy.

20.2 Any waiver by the Buyer of any right or remedy it may have against a Seller will not constitute a waiver of any other right or remedy provided under this Agreement against any other Seller.

21. VARIATION

No variation of this Agreement shall be of any effect unless it is agreed in writing and signed by or on behalf of the Buyer and the Seller.

22. FURTHER ASSURANCE

The Seller shall at that Seller's own expense (and shall use reasonable endeavours to procure that any relevant third party shall) promptly execute and deliver such documents and perform such acts as the Buyer may reasonably require from time to time for the purpose of giving full effect to this Agreement.

23. GOVERNING LAW AND JURISDICTION

23.1 This Agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales.

23.2 The Parties irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this Agreement or its subject matter or formation (including non-contractual disputes or claims).

This Agreement has been executed as a deed and is delivered and takes effect on the date stated above.

SCHEDULE 1
SELLER'S DETAILS, SHAREHOLDINGS AND SHARE OF PRICE

Seller	Address	No. and class of Sale Shares held	% of Company's Issued share capital	Relevant Proportion (%)
Longworth Limited	Leitex House, Longley Lane, Manchester M22 4SY	500 Ordinary Shares of £1.00	100%	100%

**SCHEDULE 2
THE COMPANY**

Date of incorporation: 11 March 2002

Place of incorporation: England and Wales

Registered number: 04385015

Registered office: Leltex House, Longley Lane,
Manchester M22 4SY

Issued shares: 500

Classes of shares: Ordinary

Shareholder: Longworth Limited

Accounting reference date: 30 April

Directors: Kevin Rae, Vincent O'Brien, William Rae

Auditors: Moss & Williamson Limited

Outstanding charges: Royal Bank of Scotland plc
20th August 2007
Debenture

SCHEDULE 3
COMPLETION BALANCE SHEET AND COMPLETION STATEMENT

Part 1
Preparation

1. DEFINITIONS

The following words, expressions and abbreviations shall have the following meanings in this Schedule 3.

Completion Balance Sheet/ Statement Policies	the specific accounting principles, policies, procedures, practices and estimation techniques set out Schedule 3.
Draft Completion Balance Sheet	a draft of the Buyer's calculation of the Completion Balance Sheet prepared in accordance with Paragraph 2 using the format set out in Part 3 of this Schedule 3.
Draft Completion Statement	a draft of the Buyer's calculation of the Completion Statement prepared in accordance with Paragraph 2 using the format set out in this Schedule 3.
Independent Accountant	an independent firm of chartered accountants of international standing agreed between the Buyer and the Seller within five Business Days of either the Seller notifying the Buyer or the Buyer notifying the Seller under Paragraph 2.6.2 of their wish to refer the matters or items in dispute or, failing such agreement, an independent firm of chartered accountants to be nominated on application by either the Seller or the Buyer by the President for the time being of the Institute of Chartered Accountants of England and Wales.

2. COMPLETION BALANCE SHEET AND STATEMENT SETTLEMENT PROCESS

- 2.1 This Part 1 sets out the basis of preparation of the Completion Balance Sheet and the Completion Statement and is also to be applied when preparing the Draft Completion Balance Sheet and Draft Completion Statement.
- 2.2 As soon as practicable, and in any event no later than 30 Business Days after the Completion Date, the Seller will prepare in accordance with Paragraph 4 and deliver to the Buyer for review a Draft Completion Balance Sheet and Draft Completion Statement (the **Draft Documents**), together with all relevant working papers used in their preparation.
- 2.3 No later than 20 Business Days starting on the first Business Day after delivery of the Draft Documents in accordance with Paragraph 2.2, the Buyer will deliver to the Seller a notice in writing (a **Completion Notice**) stating whether or not the Draft Documents are agreed. In the case of a disagreement, the Completion Notice will set out in reasonable detail each matter or item in dispute and any adjustments which the Buyer considers should be made to the Draft Documents to resolve the disputed matters or items. Except for matters or items set out in the Completion Notice, the Buyer will be deemed to have agreed the Draft Documents in full.
- 2.4 If the Completion Notice states that the Draft Documents are agreed, or if the Buyer fails to serve a valid Completion Notice in accordance with Paragraph 2.3, the Draft Completion Balance Sheet and the Draft Completion Statement in the form delivered to the Buyer under

Paragraph 2.2 will constitute the Completion Balance Sheet and the Completion Statement for the purpose of this Agreement.

- 2.5 If the Buyer serves a Completion Notice stating that it does not agree with the Draft Documents, the Buyer and the Seller will use all reasonable endeavours to resolve the disputed matters or items and agree the adjustments required to the Draft Documents within 10 Business Days starting on the first Business Day after the Seller receives the Completion Notice. If the Seller and the Buyer resolve the matters raised in the Completion Notice within such period, the Draft Completion Balance Sheet and the Draft Completion Statement, in the form resolved between the Seller and the Buyer) will constitute the Completion Balance Sheet and the Draft Completion Statement for the purpose of this Agreement.
- 2.6 If any disputed matters or items set out in the Completion Notice are not resolved and the Draft Documents are not agreed within the period referred to in Paragraph 2.5, then:
- 2.6.1 the Seller or the Buyer, as the case may be, will pay the portion of the Final Adjustment Amount in respect of which no dispute is noted in the Completion Notice not later than 10 Business Days following the delivery of the Completion Notice; and
- 2.6.2 either the Seller or the Buyer may, by notice in writing delivered to the other, elect to refer those matters or items in dispute to an Independent Accountant for determination in accordance with Paragraph 3.
- 2.7 The Seller and the Buyer will co-operate with each other and the Independent Accountant and will comply with all reasonable requests from the Buyer or the Seller, as the case may be, or the Independent Accountant in connection with carrying out their duties or performing their obligations under this Schedule 3. The Seller and the Buyer will, subject to reasonable notice, provide the Buyer or the Seller, as the case may be, their respective accountants and the Independent Accountant with access to:
- 2.7.1 the books, records, working papers and other information within their possession or control which may be required to prepare the Draft Documents and settle any disputed matters or items; and
- 2.7.2 the individuals responsible for preparing the Draft Documents (including, upon request made by a Party, question and answer sessions with such persons),
- in each case between 9.00 am to 5.30 pm on a Business Day during the period after Completion until the agreement by or on behalf of the Parties of the Completion Balance Sheet and the Completion Statement or the making of the relevant determination by the Independent Accountant.
- 2.8 The Seller and the Buyer will procure that their respective accountants and other advisers and agents will, and shall use all reasonable endeavours to procure that the Independent Accountant will:
- 2.8.1 keep all information and documents provided pursuant to this Schedule 3 confidential; and
- 2.8.2 not use such information and documents for any purpose, except for disclosure or use in connection with the preparation, agreement and settlement of the Draft Documents, the proceedings of the Independent Accountant or any other matter arising out of this Schedule 3 or in defending any claim or argument or any alleged claim or argument relating to this Schedule 3.
- 2.9 The Completion Balance Sheet and the Completion Statement in the form agreed by or on behalf of the Parties in accordance with Paragraph 2.4 or 2.5, and as adjusted in any respect by the expert's determination pursuant to Paragraph 3.3.3, will be final and binding on the Buyer and the Seller.

2.10 The Cash, the Debt, the Working Capital, the Working Capital Adjustment and the Final Adjustment Amount will be derived from the Completion Balance Sheet and set out in the Completion Statement.

2.11 Each of the Seller and the Buyer shall pay their own costs in connection with the preparation and finalisation of the Completion Balance Sheet and the Completion Statement, including the costs of presenting their case to the Independent Accountant. The costs of the Independent Accountant shall be borne as set out in Paragraph 3.3.4.

3. INDEPENDENT ACCOUNTANT

3.1 The Buyer and the Seller will agree the terms of engagement with the Independent Accountant as soon as reasonably practicable after the Independent Accountant is nominated and will not withhold or delay their consent to such terms if they are reasonable and consistent with the provisions of this Agreement.

3.2 If the terms of engagement with the Independent Accountant have not been settled within five Business Days after the Independent Accountant is nominated, the Buyer and the Seller will jointly appoint the Independent Accountant on the Independent Accountant's standard terms for such an appointment.

3.3 The Independent Accountant will decide the procedure to be followed in making their determination provided that it will act on the following basis.

3.3.1 The procedure of the Independent Accountant will:

- (a) allow the Buyer and the Seller each to prepare and submit a written statement to the Independent Accountant on the disputed matters or items within 10 Business Days of the Independent Accountant's appointment;
- (b) allow each of the Buyer and the Seller only one opportunity to respond to the other's written statement by written response delivered to the Independent Accountant within 10 Business Days of receipt of the written statement; and
- (c) require that the Buyer and the Seller supply the Seller or the Buyer, as the case may be, with a copy of their written statement and response at the same time as they are submitted to the Independent Accountant.

3.3.2 The Independent Accountant will:

- (a) determine the adjustments to be made to the Draft Documents only in relation to the disputed matters or items; and
- (b) will make their determination applying the same policies, principles, procedures, practices, estimation techniques and standards, and in the same order of precedence, as required for the drawing up of the Completion Balance Sheet and the Completion Statement in accordance with Paragraph 4.

3.3.3 The Independent Accountant will be requested to make their determination as soon as reasonably practicable and in any event no later than 30 Business Days after their appointment and will send the Buyer and the Seller a copy of their determination in writing and, unless otherwise agreed by the Parties and for these purposes the agreement of the Seller shall be binding on the Seller, will include reasons for each determination.

3.3.4 The Independent Accountant will act as expert and not as arbitrator and their determination of any matter falling within their jurisdiction will be final and binding on the Parties except in the case of manifest error, in which case the relevant part of the determination will be void and the matter or item will be remitted to the Independent Accountant for correction.

- 3.3.5 The costs and expenses of the Independent Accountant will be payable by the Parties as the Independent Accountant decides and, in the absence of such a decision, will be payable 50% by the Buyer and 50% by the Seller on the basis that the Seller will be liable for such costs and expenses not payable by the Buyer, but between themselves shall be liable in their Relevant Proportions.

4. PREPARATION OF COMPLETION BALANCE SHEET AND COMPLETION STATEMENT

- 4.1 The Completion Balance Sheet and the Completion Statement will be drawn up in the format set out in Part 3 of this Schedule 3 respectively as at the Transfer Time in accordance with, in order of precedence:
- 4.1.1 the Completion Balance Sheet format set forth on Part 2 below.
 - 4.1.2 to the extent not covered by the Completion Balance Sheet/Statement Policies, the accounting principles, policies, procedures, practices and estimation techniques applied in preparing the Company's audited financial statements for the financial year ended on the Accounts Date;
 - 4.1.3 to the extent not covered by Paragraphs 4.1.1 or 4.1.2, GAAP as at the Completion Date; and
- 4.2 The Completion Balance Sheet and the Completion Statement will be expressed in sterling.
- 4.3 Neither the Completion Balance Sheet nor the Completion Statement will take account of any information that only becomes available after the Draft Documents are delivered to the Seller in accordance with Paragraph 2.2.

Part 2
Completion Balance Sheet for Calculation of Net Working Capital

Estimated Debt: £1,245,004

	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Aug/Sep/Oct Avg.	Nov-22
Net Working Capital									
Cash and equivalents	337	530	449	462	655	1,160	1,342	1,052	1,793
Debtors	6	(256)	(160)	(310)	(447)	(959)	(810)	(739)	(916)
Stock - deemed	408	434	507	694	686	684	779	716	793
Prepayments and other debtors	12	60	53	36	61	42	29	44	64
Interco loan acct	407	390	398	384	371	569	579	506	-
Current assets	1,172	1,157	1,247	1,266	1,325	1,497	1,919	1,580	1,735
Trade creditors	(270)	(312)	(409)	(452)	(497)	(509)	(791)	(599)	(543)
Accruals and other creditors	(47)	(41)	(41)	(41)	(42)	(59)	(38)	(46)	(38)
VAT	(2)	17	25	32	11	(22)	9	(1)	23
Corporation tax	(28)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(38)
Deferred Tax	-	-	-	-	-	-	-	-	(9)
Current liabilities	(348)	(344)	(433)	(470)	(536)	(599)	(828)	(654)	(604)
Reported working capital	824	813	814	797	790	898	1,091	926	1,131
Definitional adjustments									
Cash and equivalents	(337)	(530)	(449)	(462)	(655)	(1,160)	(1,342)	(1,052)	(1,793)
Customer deposits	153	364	371	497	561	1,373	1,192	1,042	1,184
Interco (receivable)	(94)	(18)	(126)	(122)	(18)	(136)	(10)	(55)	-
Interco payable	3	4	34	(23)	44	154	155	118	-
Interco loan acct	(407)	(390)	(398)	(384)	(371)	(569)	(579)	(506)	-
Accruals related to the Prop. Transac.	15	15	15	15	15	15	15	15	15
Corporation tax/Deferred tax	28	8	8	8	8	8	8	8	46
Total definitional adjustments	(640)	(547)	(546)	(471)	(415)	(315)	(561)	(431)	(548)
Definitional Working Capital	184	266	268	325	374	583	530	496	583

Part 3
Completion Statement Format

	ITEM	(A) Estimate for Completion (£)	(B) Final (£)
1	Enterprise value	9,000,000	9,000,000
2	Cash	From Part 2 estimated amount 1,793,165	From Part 2 actual amount y
3	Debt	From Part 2 estimated amount 1,245,004	From Part 2 actual amount y
4	Net Working Capital	From Part 2 estimated amount 583,000	From Part 2 actual amount y
5	Working Capital Target	496,000	496,000
6	Working Capital Adjustment	(A4-A5)	(A4-A5)
7	Escrow Amount	450,000	450,000
8	Completion Payment	(A1+A2-A3+A6-A7)	(A1+A2-A3+A6-A7) y
9	<u>Final Adjustment Payment</u>	-	(B1+B2-B3+B6)-A8 y
10	<u>Final Escrow Amount</u>	-	y
11	<u>Price</u>	-	B8+B9

SCHEDULE 4
COMPLETION PAYMENT CALCULATION

Set out below is the basis on which the Completion Payment has been calculated. The parties acknowledge that the Completion Payment has been calculated as set out below and is intended as the Seller's good faith estimate of the Completion Price but further acknowledge and agree that the amounts set out below are estimates only and subject to final adjustment pursuant to Clause 5.

ITEM	(£) AT TRANSFER TIME
Enterprise value <i>plus</i>	9,000,000
Estimated Cash (from Part 3) <i>minus</i>	1,793,165
Estimated Debt From Part (3) <i>plus</i>	1,245,004
Estimated Net Working Capital Adjustment From Part (3) <i>minus</i>	87,549
Escrow Amount	450,000
Completion Payment	9,185,710

**SCHEDULE 5
COMPLETION DELIVERABLES**

1. ITEMS TO BE DELIVERED BY THE SELLER TO THE BUYER AT COMPLETION

- 1.1 Duly completed and signed transfers of the Sale Shares in favour of the Buyer, or as the Buyer may direct.
- 1.2 The share certificate for the Sale Shares in the names of the registered holders or an indemnity, in a form acceptable to the Buyer, for any lost certificates.
- 1.3 Any waivers, consents or other documents required to enable the Buyer (or its nominee) to be registered as the holder of the Sale Shares.
- 1.4 A duly certified copy of any power of attorney (in a form acceptable to the Buyer) under which any Transaction Document shall have been executed by the Seller.
- 1.5 The registers required to be kept by the Company under CA 2006, in each case properly written up at the Completion Date.
- 1.6 All the deeds and documents of title to the Premises.
- 1.7 The letters of resignation in agreed form of the directors and secretary who are required to resign at Completion as set out in the table in Paragraph 2 of this Schedule 4.
- 1.8 Signed minutes, in the agreed form, of each of the board meetings held by the Company as required by Paragraph 2 of this Schedule 4.
- 1.9 In relation to the Company statements from each bank at which it has an account, giving the balance of each account at the close of business on the Business Day immediately prior to Completion.
- 1.10 Completed forms to amend the bank mandate given by the Company to its bankers signed by an authorised signatory and appointing as signatories to the mandate such persons as the Buyer shall direct which have already been signed by the Buyer's nominated signatories.
- 1.11 Authentication codes of the Company, for electronic filing at Companies House.
- 1.12 A notice, in the agreed form, from the Seller confirming that such person has ceased to be a registrable person in relation to the Company in compliance with section 790H CA 2006.
- 1.13 The Disclosure Letter (including the index to the Disclosure Documents and the electronic storage device containing the Disclosure Documents) duly signed by or on behalf of the Seller.
- 1.14 The Employment Agreement duly executed by Kevin Rae.
- 1.15 Transition Services Agreement between Company and Seller

2. MATTERS TO BE EFFECTED AT BOARD MEETINGS OF THE GROUP COMPANIES

- 2.1 The following people are appointed as additional directors and secretary of the Company against which their names appear:

Group Company	New Director and Secretary as stated below
Eagle Technical Products Limited	Charles D. Roberson

- 2.2 In respect of the Company only, the transfers referred to in Paragraph 1.1 of this Schedule are approved for registration (subject to stamping).
- 2.3 The resignations referred to in the table below are submitted and accepted:

Group Company	Resigning Director (and/or Secretary as stated below)
Eagle Technical Products Limited	Vince O'Brien Director and Secretary
Eagle Technical Products Limited	William Rae Director

The registered office of the Company is changed to Units 9-10 Jetpark, Jetpark Way, 244 Main Road, Newport, East Yorkshire, United Kingdom, HU15 2JU

3. ITEMS TO BE DELIVERED BY THE BUYER TO THE SELLER'S SOLICITORS AT COMPLETION

- 3.1 A copy of the resolutions of the directors of the Buyer, authorising the Buyer to enter into this Agreement and the other Transaction Documents to which it is a party.
- 3.2 The Disclosure Letter (including the index to the Disclosure Documents) duly counter-signed by or on behalf of the Buyer.
- 3.3 The electronic files containing the Disclosure Documents.
- 3.4 The Transition Services Agreement executed by the Company.
- 3.5 The Employment Agreement executed by the Company.

SCHEDULE 6 EARN OUT

In this Schedule 6 the following definitions shall apply:

First Earn Out Period	1 May 2022 to 30 April 2023.
First Earn Out Prepared Accounts	the annual accounts of the Company for the period ending 30 April 2023.
Second Earn Out Period	1 May 2023 to 30 April 2024.
Second Earn Out Prepared Accounts	the annual accounts of the Company for the period ending 30 April 2024.
Turnover	the annual turnover of the Company as shown from its annual accounts.

Calculation of Payments

1. The Buyer will procure the Annual Accounts of the Company for each of the First Earn Out Period and the Second Earn Out Period are produced within 90 days of the relevant year end on the same basis and using the same accounting policies as used in previous annual accounts.
2. In the event that the Turnover exceeds £6 million in the First Earn Out Period the Buyer will in 5 Business Days of the relevant accounts being adopted by the Company paying to the Seller a sum equal to the amount by which the Turnover exceeds £6 million.
3. In the event of the Turnover exceeds £6.3 million in Second Earn Out Period the Buyer will within 5 Business Days of the Relevant Accounts being adopted by the Company pay to the Seller a sum equal to the amount by which the Turnover exceeds £6.3 million.

Conduct

Until the end of the Second Earn Out Period both parties will act in good faith so as not to either artificially increase or decrease Turnover.

Dispute Resolution

Any dispute, claim, or controversy between or among the parties arising out of or relating to this Agreement ("Dispute"), including any Dispute with respect to the interpretation, performance, termination, or breach of this Agreement or any provision thereof shall be resolved as provided in this clause at the written request of either Party.

1. Informal Resolution Procedures.

Prior to the initiation of formal dispute resolution procedures, the Parties shall first attempt to resolve their Dispute informally, in a timely and cost-effective manner, as follows:

(a) If a Party believes it has a Dispute with the other Party, its authorized personnel shall give written notice describing the Dispute and recommending corrective action to be taken by the other Party. Such authorized person shall promptly consult with the other Party's authorized person in an effort to reach an agreement to resolve the Dispute. The Parties will provide the names of its authorized persons as soon as practicable following the Completion.

(b) In the event resolution cannot be reached within five (5) Business days of receipt of written notice, either Party may request the Dispute be escalated, and the respective positions

of the Parties shall be forwarded to an executive level higher than that under clause 1(a) for resolution of the Dispute.

(c) In the event agreement cannot be reached under 1(a) or 1(b) within a total of ten (10) Business days after receipt of the written notice described in 1(a), either Party may request the Dispute be escalated, and the respective positions of the Parties shall be forwarded to the Chief Executive Officer (CEO) or President of each Party (or to any delegate the CEO or President appoints, provided such delegate is only one executive level below the CEO or President), and such executives shall meet during such time to resolve the Dispute.

(d) In the event agreement cannot be reached under Sections 1(a), 1(b) or 1(c) within a total of twenty (20) calendar days after receipt of the written notice described in 1(a), either Party may proceed in accordance with the clause 2 below.

2. Litigation

Dispute having arisen between the parties that cannot be resolved under the Informal Resolution Procedures shall be referred to and finally resolved by the courts of England and Wales which shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this Agreement or its subject matter or formation (including non-contractual disputes or claims).

**SCHEDULE 7
WARRANTIES**

**Part 1
Title and Capacity Warranties**

1. THE, TITLE, AUTHORITY AND MATTERS RELATING TO THE SELLER

- 1.1 The Seller is the sole legal and beneficial owner of the Sale Shares and is entitled to transfer the full legal and beneficial ownership of such Sale Shares, free from Encumbrances, to the Buyer on the terms of this Agreement without the consent of any other person (other than any consents which are given under this Agreement).
- 1.2 The Seller has not entered into any agreement or arrangement which provides for the present or future issue, allotment or transfer of, or which grants to that Seller or any other person the right (whether future, present, conditional or otherwise) to call for the issue, allotment or transfer of, any share, loan capital or other securities in the Company including any option or right of pre-emption or conversion.
- 1.3 The execution and delivery by the Seller of this Agreement and any other Transaction Document to which the Seller is a party, the performance by the Seller of its obligations hereunder and thereunder, and the consummation by the Seller of the transactions contemplated hereby and thereby have been duly authorized by all requisite action on the part of the Seller. The Seller has full power and authority to enter into and perform this Agreement and the other Transaction Documents to which it is a party which, when executed, will constitute valid, legal and binding obligations on the Seller in accordance with their respective terms.

Part 2
General Warranties

2. INFORMATION

The information set out in Schedule 1, Schedule 2 and Schedule 6 is complete, true and accurate in all respects and not misleading.

3. THE COMPANY

- 3.1 A copy of the articles of association of the Company has been included in the Disclosure Documents and each copy is complete, true and accurate in all respects and is accompanied by any statement, resolution, agreement, enactment or order required to accompany the articles of association pursuant to section 36 CA 2006. The Company is duly organized, validly existing, and in good standing under its jurisdiction of incorporation and has full corporate power and authority to own, operate, or lease the properties and assets now owned, operated, or leased by it (including the Premises, as defined in Clause 19) and to carry on its business as it has been and is currently conducted, including the .
- 3.2 The Company has at all times carried on its business and affairs in all respects in accordance with its constitutional documents and none of its activities is ultra vires or unauthorised.
- 3.3 The statutory books (including all registers) and minute books of the Company have been properly kept, are up to date and contain a complete and accurate record of all matters which should be dealt with in those books, and a complete, true and accurate copy of the statutory books (including all registers) is included in the Disclosure Documents (which are identical to the documents delivered to the Buyer at Completion).
- 3.4 No notice or allegation that any of the statutory books of the Company is incorrect or should be rectified (including any notice of any application or intended application under section 125 CA 2006 for rectification of the register of members) has been received by the Company and there are no circumstances which might reasonably be expected to lead to any such notice or allegation being received by the Company.
- 3.5 All returns, particulars, resolutions and other documents required to be filed with or delivered to the Registrar of Companies or any other authority by the Company have been correctly and properly prepared and duly filed or delivered.
- 3.6 All Encumbrances granted to or by the Company have, if appropriate, been registered in accordance with CA 2006 or comply with all necessary formalities as to registration in any other jurisdiction.
- 3.7 The Company controls/ or takes/ part in, or has agreed to control or take part in, the management of any company or business organisation.
- 3.8 The Company does not have any branch, place of business or permanent establishment or substantial assets outside its jurisdiction of incorporation.
- 3.9 The only directors of the Company are those listed in Schedule 2 and no person is a shadow director or an alternate or de facto director of the Company.
- 3.10 No Group Company does not use on its letterhead, books or vehicles, or otherwise carries on its business under, any name other than its corporate name.
- 3.11 The Member Agreement referenced in the Company's Articles of Association (as adopted by special resolution in 2010) was not executed and is not and will not be in effect or enforceable at the Completion Date.

4. SHARE CAPITAL

4.1 The Company is not and has not agreed to become:

- 4.1.1 the holder (legally or beneficially) of any shares, debentures or other securities of any other body corporate (whether incorporated in the United Kingdom or elsewhere) other than the shares in any of the Subsidiaries;
- 4.1.2 a subsidiary of any other body corporate or controlled by any group of bodies corporate or consortium; or
- 4.1.3 a member of any partnership, joint venture, consortium or other unincorporated association, other than a recognised trade association.

4.2 The authorized capital of the Company only consists of the Sale Shares, which have been duly authorized, are validly issued, fully paid and nonassessable, and are owned of record and beneficially by the Seller, free and clear of all Encumbrances. Upon the Completion, the Buyer shall own all of the Sale Shares, free and clear of all Encumbrances. There are no outstanding or authorized options, warrants, convertible securities, stock appreciation, phantom stock, profit participation, or other rights, agreements, or commitments relating to the Sale Shares or obligate the Seller or the Company to issue or sell any shares of, or any other interest in, the Company. There are no voting trusts, stockholder agreements, proxies, or other agreements in effect with respect to the voting or transfer of any of the Sale Shares.

5. ACCOUNTS

5.1 Definitions

The following words shall have the following meanings:

Relevant Accounting Standards	Financial Reporting Standard 102 (FRS 102), being the Financial Reporting Standard applicable in the UK and Republic of Ireland as issued by the Financial Reporting Council of the UK and in force and applicable for the accounting period ended on the Accounts Date.
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5.2 Complete, true and accurate copies of the Accounts, Previous Accounts and Management Accounts are included in the Disclosure Documents.

5.3 The Accounts:

- 5.3.1 give a true and fair view of the assets, liabilities, financial position and state of affairs of the Company as at the Accounts Date and of the profits or losses of the Company for the accounting period to which the Accounts relate;
- 5.3.2 in respect of the Company only, have been properly audited in accordance with CA 2006 and the auditor's report on the Accounts is unqualified;
- 5.3.3 have been fully and properly prepared in accordance with all applicable Laws and Relevant Accounting Standards;
- 5.3.4 have, save as expressly disclosed in the Accounts, been prepared using the accounting policies and practices and the assumptions and estimation techniques adopted and applied in preparing the Previous Accounts;
- 5.3.5 disclose and make full provision or reserve for (or note in accordance with Relevant Accounting Standards) all liabilities (whether actual, contingent, unquantified or disputed), capital, pension or other financial commitments, Tax and bad and doubtful debts; and

- 5.3.6 do not include (and the profits of the Group and the Company for the period have not been affected to a material extent by) any extraordinary, exceptional, unusual or non-recurring items.
- 5.4 The Management Accounts:
- 5.4.1 have been prepared with due care and attention and in accordance with the Company's accounting records;
 - 5.4.2 have been prepared using the accounting policies and practices and the assumptions and estimation techniques adopted and applied in preparing the Accounts;
 - 5.4.3 fairly state the income, expenditure, assets, liabilities, financial position and state of affairs of the Company as at that date and the profits or losses for that period and are not misleading in any respect; and
 - 5.4.4 do not include (and the profits of the Company for that period have not been affected to a material extent by) any extraordinary, exceptional, unusual or non-recurring items.
- 5.5 There is nothing that, if known at the Accounts Date or when the Accounts were approved, would have required the Accounts to be adjusted in any material respect.
- 6. POSITION SINCE THE ACCOUNTS DATE**
- 6.1 The value of the net assets of the Company is not less than the value of its net assets at the Accounts Date.
- 6.2 Since the Accounts Date:
- 6.2.1 the Company has carried on its business in the ordinary and proper course so as to maintain it as a going concern and without any interruption or alteration in the nature, scope or manner of its business and nothing has been done which would be likely to prejudice the interest of the Buyer as a prospective buyer of the Sale Shares;
 - 6.2.2 there has been no change, event, condition, or development that is, individually or in the aggregate, materially adverse to the business, results of operations, condition (financial or otherwise), or assets of the Company and there are no facts which are likely or expected to give rise to any such change;
 - 6.2.3 the Company has not transferred or disposed of or agreed to transfer or dispose of any assets of a deemed market value in excess of £10,000 or that is material to the operation of the Company; and
 - 6.2.4 the Company has not acquired or agreed to acquire any assets of a deemed market value in excess of £10,000 or that is material to the operation of the Company.
- 7. FINANCE**
- 7.1 Particulars of all money borrowed by the Company (other than normal trade credit) and full details of all debentures, acceptance lines, overdrafts, loans or other financial facilities outstanding or available to the Company and all Encumbrances to which any asset of the Company is subject have been Disclosed.
- 7.2 The Company has not done anything to affect or prejudice the continuance of any such facility (as referred to in Paragraph 7.1) or Encumbrance and they are valid and binding and nothing has been done or not been done as a result of which any of them has ceased or may cease to be valid.

7.3 There are no debts owing to the Company other than trade debts incurred in the ordinary and proper course of its business and all such trade debts will be paid in full within ten Business Days of their due date for payment.

7.4 Particulars of the balances on all the bank accounts of the Company as at a date not more than two days before the date of this Agreement have been Disclosed and it has no other bank accounts.

8. ASSETS

8.1 The Company has legal and beneficial title (free from any Encumbrance, hire or hire purchase agreement, leasing agreement, credit sale agreement or agreement for payment on deferred terms) to all assets of the Company which:

8.1.1 are included in the Company's individual accounts as at the Accounts Date;

8.1.2 were used or held for the purposes of its business at the Accounts Date; or

8.1.3 have been acquired by the Company since the Accounts Date,

and all such assets are in the possession and control of the Company.

8.2 The assets of the Company comprise all the assets necessary for carrying on its business. The assets of the Company are structurally sound, are in good operating condition and repair, and are adequate for the uses to which they are being put, and none of such assets is in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost. The assets owned or leased by the Company are sufficient for the continued conduct of the Company's business after the Completion in substantially the same manner as conducted prior to the Completion and constitute all of the rights, property and assets necessary to conduct the business of the Company as currently conducted.

9. CONTRACTS

9.1 Complete and accurate copies of all contracts to which the Company is a party as are material in nature or importance, or with a value in excess of £10,000 have been included in the Disclosure Documents.

9.2 The Company is not a party to or subject to any agreement, transaction, obligation, commitment, understanding, arrangement or liability which:

9.2.1 is outside the ordinary and proper course of business of the Company;

9.2.2 is not on arm's length terms;

9.2.3 is incapable of complete performance in accordance with its terms within six months after the date on which it was entered into or undertaken;

9.2.4 requires the Company to give more than 60 days' notice to effect its termination;

9.2.5 on completion by the Company of its obligations, is likely to result in a loss for the Company which is not fully provided for in the Accounts;

9.2.6 requires an aggregate consideration payable by the Company in excess of £10,000;

9.2.7 is a guarantee, indemnity, surety or form of comfort in respect of the obligations of a third party under which any liability (whether actual, contingent or otherwise) is outstanding;

- 9.2.8 involves or is likely to involve obligations, restrictions, expenditure or receipts of an unusual, onerous or exceptional nature and not in the ordinary and proper course of its business;
- 9.2.9 taken together, involves or is likely to involve the supply of goods and/or services by or to the Company, the aggregate value of which will represent in excess of 5% of the total value of all supplies of goods and/or services made by or to the Company for the year ended on the Accounts Date;
- 9.2.10 affects or restricts the freedom of the Company to carry on the whole or any part of its business in any part of the world in such manner as it thinks fit, including, without limitation, any agreement, transaction, obligation, commitment, understanding, arrangement or liability which limits or purports to limit the ability of the Company to compete in any line of business or with any person or entity or in any geographic area or during any period of time;
- 9.2.11 relates to energy efficiency, greenhouse gas emissions or climate change, or obtaining, trading or surrender of emission credits or allowances;
- 9.2.12 relates to the management, generation or consumption of energy supplies, other than the purchase of energy for its normal business requirements on market standard terms;
- 9.2.13 requires the Company to pay any commission, finder's fee, royalty or the like;
- 9.2.14 involves the sale or disposal of any company or business in circumstances that the Company remains subject to any liability (whether actual, contingent or otherwise) which is not fully provided for in the Accounts; or
- 9.2.15 with any customer or supplier, which is on terms materially different to its standard terms of business, copies of which have been included in the Disclosure Documents.
- 9.3 With respect to any contract which the Company is party or subject to:
 - 9.3.1 such contract is valid and binding on the Company and the other party thereto, is in full force and effect, and the Company and the other parties have complied with their terms; and
 - 9.3.2 there are no circumstances likely to give rise to a default by the Company or, so far as the Seller are aware, by any other party.
- 9.4 There are no outstanding claims against the Company in respect of defects in quality or delays in delivery or completion of contracts or deficiencies of design or performance or otherwise relating to liability for goods or services sold or supplied by the Company and no such claims are threatened or anticipated and there is no matter or fact in existence in relation to goods or services currently sold or supplied by the Company which might give rise to any such claim.
- 9.5 The Company and the Seller have no knowledge of the invalidity of or grounds for rescission, avoidance or repudiation of any agreement or other transaction to which the Company is a party and has received no notice of any intention to terminate, repudiate or disclaim any such agreement or other transaction.
- 9.6 The Company is not a party to any subsisting franchising, marketing rights, information sharing, agency or distributorship agreement.
- 9.7 No offer, tender or quotation issued by the Company and still outstanding (the value of which to the Company could exceed £10,000 in any year) is or will be capable of being converted into an obligation of the Company by an acceptance or other act of some other person.

10. POWERS OF ATTORNEY

There are no powers of attorney granted by the Company which are currently in force other than to the holder of an Encumbrance solely to facilitate its enforcement nor any other authority (express, implied or ostensible) given by the Company to any person to enter into any contract or commitment or do anything on its behalf.

11. TRADING

- 11.1 The sale of the Sale Shares under this Agreement or anything done in compliance with the terms of this Agreement will not:

- 11.1.1 Violate or conflict with any provision of the organizational documents of the Company;
- 11.1.2 Violate or conflict with any provision of any Law or any order, writ, judgment, injunction, decree, determination, penalty, or award entered by or with any Regulator applicable to the Seller or the Company;
- 11.1.3 cause the Company to lose the benefit of any right, privilege or licence it presently enjoys or cause any person who normally does business with the Company not to continue to do so on the same basis and on the same terms as previously; and
- 11.1.4 relieve any person of any obligation to the Company (whether contractual or otherwise) or entitle any person to determine or terminate any contract or arrangement with the Company or to exercise any right whether under an agreement or arrangement with the Company or otherwise require notice to any person.

- 11.2 No customer, client or supplier (including any person connected in any way with such customer, client or supplier) accounted for more than 5% of the aggregate value of all sales or purchases of the Company during the financial year ended on the Accounts Date.

- 11.3 In the period of 12 months ended on the date of this Agreement:

- 11.3.1 no significant customer, client or supplier of the Company has ceased, or indicated an intention to cease, business with the Company either in whole or in part;
- 11.3.2 there has been no material change in the terms on which any significant customer, client or supplier does business with the Company; and
- 11.3.3 there has been no material adverse effect on the business as a result of any customer, client or supplier ceasing to do business with the Company either in whole or in part, or changing the terms on which they do business with the Company.

12. LICENCES

- 12.1 The Company has all necessary licences, permits, consents and authorities as required by Law in relation to its activities and for the proper and effective carrying on of its business in the places and in the manner in which its business is now carried on and all such licences, permits, consents and authorities are valid and subsisting, have been complied with in all respects and are not limited in duration or subject to any unusual or onerous conditions, and no event has occurred that would reasonably be expected to result in the revocation or lapse of any such licence.

13. COMPLIANCE WITH LAWS

- 13.1 The Company has carried on its business at all times in compliance with all Law and Regulatory Requirements and, so far as the Seller is aware, each officer or employee of the Company has, in relation to Company's affairs, at all times complied with all Law and Regulatory Requirements.

- 13.2 The Company has not received any notice or allegation and is not subject to any investigation relating to any breach or alleged breach of any Law or other Regulatory Requirements and is not aware of any allegation or any circumstances which may give rise to any such notice, allegation or investigation.

14. DATA PROTECTION

The Company has at all times complied with its obligations under any relevant Data Protection Laws.

15. ANTI-CORRUPTION AND FINANCIAL CRIME PREVENTION

- 15.1 The Company, nor any of its officers, employees or agents, is or has at any time been, or has agreed to become, engaged in any activity, practice or conduct (including by way of acquiescence or failure to perform) that would constitute an offence under the Bribery Act 2010, or any other applicable anti-bribery or anti-corruption legislation or would have done so if such legislation had been in force at the relevant time.
- 15.2 The Company has at all relevant times had in place adequate procedures designed to prevent persons associated with it within the meaning of section 8 of the Bribery Act 2010 (**Associated Person**) from undertaking any conduct that would constitute an offence by the Company under section 7 of that Act (or would have done so if that Act had been in force at the relevant time), and the Company and its Associated Persons have at all times complied with such procedures and the Seller are not aware of any breach of such procedures.
- 15.3 The Company, nor any of its officers, employees or agents in relation, directly or indirectly, is or has at any time been, or has agreed to become, engaged in any activity, practice or conduct (including acquiescence, omission to act or failure to perform) that would constitute an offence or is otherwise prohibited under Law or Regulatory Requirement in relation to the prevention of money laundering or terrorist finance, or financial or trade sanctions, including the Proceeds of Crime Act 2002, Terrorism Act 2000, Counter-Terrorism Act 2008, Money Laundering, Terrorist Finance and Transfer of Funds (Information on the Payer) Regulations 2017, Terrorist Asset-Freezing etc. Act 2010, the Sanctions and Anti-Money Laundering Act 2018 or any equivalent Law or Regulatory Requirement in any jurisdiction in which the Company operates (**Relevant AML/CTF Law**).
- 15.4 The Company, nor any of its officers, employees or agents, nor, in the case of the Bribery Act 2010 its Associated Persons, is or has been the subject of any actual or threatened investigation, inquiry or enforcement proceedings, or been charged, in connection with any offence or alleged offence under the Bribery Act 2010, any other applicable anti-bribery or anti-corruption legislation or any Relevant AML/CTF Law and there are no circumstances likely to give rise to any such investigation, inquiry, enforcement proceedings or charges.

16. DISPUTES

- 16.1 The Company is not engaged, either on its own account or vicariously, in any legal proceedings (including litigation, arbitration or any hearing before any tribunal, governmental, regulatory or official body) and, neither is, in relation to the Company's affairs, any officer or employee of the Company and no such legal proceedings are pending or threatened.
- 16.2 There is no matter or fact in existence which might give rise to any legal proceedings involving the Company, including any which might form the basis of any criminal prosecution against the Company.
- 16.3 In the three years before the date of this Agreement, the Company has not been involved in any legal proceedings with any person.
- 16.4 The Company is not subject to any order or judgment given by any court, arbitrator, tribunal, regulator or governmental agency which is still in force and has not given any undertaking to

any court, arbitrator, tribunal, regulator or governmental agency or to any third party arising out of any legal proceedings.

17. INSURANCE

- 17.1 All the assets of the Company which are of an insurable nature are fully insured to their full replacement value with a well-established, reputable and duly authorised insurer against fire and all other risks normally insured against by companies carrying on similar businesses or owning property of a similar nature to those of the Company is and has at all material times been adequately covered against all legal liability and risks normally insured against by such companies (including liability to employees or third parties for personal injury or loss or damage to property, product liability and loss of profit and liability to third parties in respect of errors or omissions in the provision of any professional services by the Company).
- 17.2 A summary of the current insurance policies is set out in the Disclosure Letter and is complete, true and accurate in all respects.
- 17.3 The premiums due on all policies of insurance of the Company now in force have been duly paid and all such policies are valid and in force.
- 17.4 There are no circumstances and there is no action which the Company has or has not taken in relation to the placing of any such policy or the making of a claim that would otherwise be payable under such insurance policy which might lead to a repudiation of any such policy or to any liability under such insurance being avoided by the insurers in relation to a claim that would otherwise be payable under the policy or to the premiums being increased or to a reduction in the amount that would otherwise be payable in respect of that claim.
- 17.5 There is no claim outstanding under any insurance policy and there are no circumstances likely to give rise to such a claim.
- 17.6 A complete record of insurance claims of the Company for the last three years has been Disclosed or is included in the Disclosure Documents.
- 17.7 The Company has at all times carried employer liability insurance cover and public liability insurance cover as required by Law and holds copies of the relevant certificates of insurance.

18. INSOLVENCY

- 18.1 The Company has not stopped payment of its debts as they fall due, suspended or threatened to suspend making payments of any of its debts, commenced negotiations with one or more of its creditors with a view to rescheduling any of its Indebtedness or is unable to or admits inability to pay its debts within the meaning of section 123 IA 1986 as if the words "it is proved to the satisfaction of the court" did not appear in sections 123(1)(e) or 123(2) IA 1986.
- 18.2 No compromise or arrangement (by way of scheme of arrangement or voluntary arrangement or arrangement under Part 26A of the Companies Act 2006 or otherwise) with any of its creditors or any class of its creditors has been entered into or proposed with respect to the Company.

18.3 Health and Safety

- 18.3.1 The Company's business is currently being conducted and has at all times been conducted in compliance with all applicable Health and Safety Laws.
- 18.3.2 There are no events, states of affairs, conditions, circumstances, activities, practices, incidents or actions which have occurred and have not been remedied or are occurring or have been or are in existence in connection with the conduct of the Company's business which are liable to give rise to liability under Health and Safety Laws.

- 18.3.3 The Company is not, nor is any director, officer or employee of the Company subject to or engaged in any investigation, prosecution, litigation, administrative, enforcement or other legal proceedings or action concerning an alleged or actual contravention of Health and Safety Laws and, so far as the Seller are aware, no such investigations, prosecution, litigation, administrative, enforcement or other legal proceedings have been threatened or are pending.
- 18.3.4 No works, repairs, construction, remedial action or expenditure is or is likely to be required in relation to the Health and Safety Laws in order for the Company to carry on its business lawfully at any of the Premises or other place of work.
- 18.3.5 At no time has with the Seller and/or the Company had knowledge of and/or received any notice, claim or other communication alleging any contravention of or actual or potential liability under Health and Safety Laws.
- 18.3.6 The Company has appointed relevant individuals to be responsible for compliance with Health and Safety Laws and has in place and documented appropriate management systems and training programmes to ensure compliance with Health and Safety Laws.

19. PREMISES

19.1 Definitions

The following words shall have the following meanings:

Premises	the premises at Leltex House, Longley Lane, Sharston, Manchester demised by and more particularly described in the Lease.
Building	Land and buildings known as Leltex House, Longley Lane, Sharston, Manchester, M22 4SY registered at the Land Registry under title number LA302932.
Lease	The lease of the Premises dated December 1, 2022 and made between Longworth UK Limited (1) and the Company (2) a copy of which has been made available to the Buyer.

19.2 Lease

- 19.2.1 The Company has no legal interest in any real property other than the Lease. A true and complete copy of the Lease has been made available to the Buyer. The Lease is valid, binding and enforceable and in full force and effect in accordance with its terms. So far as the Seller is aware, no event has occurred or circumstance exists which would constitute a breach or default under the Lease on the part of the Company, or on the part of Seller. No security deposit exists in relation to the Lease. The Company does not owe any brokerage commissions or finder's fees with respect to the Lease. The Company has not subleased, licensed or otherwise granted any person the right to use or occupy the Premises.
- 19.2.2 So far as the Sellers are aware, the use and operation of the Premises in the conduct of the Company's business is in accordance with the Permitted Use as defined in the Lease. The Company has made no material alterations to the Premises or to the Building. There are no actions pending nor threatened against or affecting the use of the Premises by Company.

20. EMPLOYMENT AND PENSIONS

20.1 Definitions

The following words shall have the following meanings:

Disclosed Scheme	Is a disclosed arrangement under which the Company has any legal obligation to provide or contribute towards pension, lump-sum, death, sickness, accident or disability benefits in respect of any of its officers, Employees or Workers (including former officers, former employees and former Workers).
Employee	a person employed by the Company.
TUPE	the Transfer of Undertakings (Protection of Employment) Regulations 2006.
Worker	any person who personally performs work for the Company but who is not in business on their own account or in a client/customer relationship.

20.2 Employment

- 20.2.1 A true, complete and accurate anonymised schedule of all persons who are officers, Employees or Workers of, or consultants to, the Company or are employed or retained pursuant to an agreement or arrangement as at the date of this Agreement, including details of their dates of birth, the date on which they commenced continuous employment with the Company and all remuneration payable and other benefits provided or which the Company is bound to provide to each such person (including profit sharing, incentive, bonus, severance and share option arrangements to which the Company is a party, whether legally binding or not) is included in the Disclosure Documents.
- 20.2.2 Anonymised details of all Employees and Workers who are on secondment, maternity, paternity or other leave or who are absent due to illness or any other reason which has lasted, or is expected to last, longer than four weeks have been Disclosed.

20.3 Employment terms and service contracts

- 20.3.1 All Employees are employed on the Company's standard contracts of employment and/or service agreements, complete and accurate copies of which (including any staff handbooks and other statements or documents containing the terms of employee emoluments and benefits (including profit sharing, incentive, bonus and share option arrangements)) have been included in the Disclosure Documents.
- 20.3.2 There is no existing service or other agreement or contract in force between the Company and any of its officers, Employees or Workers which is not terminable by the Company without compensation (other than a statutory redundancy payment or statutory compensation for unfair dismissal) on three months' notice or less given at any time.
- 20.3.3 There are no consultancy, agency or management services agreements in existence between the Company and any other person, firm or company.
- 20.3.4 No offer of employment or engagement has been made by the Company that has not yet been accepted or which has been accepted but where the employment or engagement has not yet started.

- 20.3.5 There are no apprentices engaged or employed by the Company and the Company does not participate in any formal or informal apprenticeship scheme.

20.4 Pensions

- 20.4.1 The Disclosed Scheme is the only arrangement under which the Company has any legal obligation to provide or contribute towards pension, lump-sum, death, sickness, accident or disability benefits in respect of any of its officers, Employees or Workers (including former officers, former employees and former Workers).
- 20.4.2 A list of all members of the Disclosed Scheme is included in the Disclosure Documents, with all accurate details relevant to their membership and necessary to establish their entitlements under the Disclosed Scheme including the rate and amount of the contributions payable by and in respect of all active members of the Disclosed Scheme. No power to increase those entitlements or contributions, or to provide different entitlements or contributions, has been exercised, and there is no practice, and there has not been a practice, of exercising such a power under the Disclosed Scheme.
- 20.4.3 The Disclosed Scheme is not an occupational pension scheme other than a master trust scheme. For these purposes, occupational pension scheme is defined in section 1 of the Pension Schemes Act 1993 and master trust scheme is defined in section 1 of the Pension Schemes Act 2017. Where the Disclosed Scheme is a master trust:
- (a) the Company has been properly adhered to the Disclosed Scheme and can exit the Disclosed Scheme on reasonable notice and without penalty or cost;
 - (b) there is no liability on the Company to make any payment or contribution to the Disclosed Scheme other than the contributions Disclosed;
 - (c) the Company has not given any indemnity in connection with the Disclosed Scheme; and
 - (d) no entity or entities has or have the power, without the consent of the Company, to amend or alter the Disclosed Scheme in order to increase or alter the liabilities, obligations or duties of the Company or to require the Company to make payments to or in respect of the Disclosed Scheme other than the contributions which have been Disclosed.

21. INTELLECTUAL PROPERTY

21.1 Definitions

The following words shall have the following meanings:

Licensed IPR all Intellectual Property Rights licensed (in writing or otherwise) to the Company for the use made by the Company in relation to its business.

Owned IPR all Intellectual Property Rights owned by the Company.

21.2 Intellectual Property

- 21.2.1 All Intellectual Property Rights which have been used or required within the last six years by the Company in connection with its business are either:
- (a) Owned IPR; or
 - (b) Licensed IPR.

- 21.2.2 The Company requires no Intellectual Property Rights other than the Owned IPR and Licensed IPR to carry on its business as it is conducted at the date of this Agreement.
- 21.2.3 No use or exploitation of any Owned IPR or Licensed IPR nor any other activities of the Company have given or give rise to any obligation to pay any royalty, fee, compensation or any other sum whatsoever.
- 21.2.4 The Company does not use or otherwise carry on its business under any name other than its corporate name and its letters, order forms, e-mail addresses and domain names comply with all applicable Law.

21.3 Owned IPR

- 21.3.1 All Owned IPR are:
 - (a) wholly and solely legally and beneficially owned by the Company, free and clear of any Encumbrances or any licence or authority in favour of any third party; and
 - (b) valid and enforceable, all steps have been taken for their maintenance and protection, and nothing has been done, or omitted to be done, as a result of which any of them has ceased or might cease to be valid, subsisting or enforceable.

21.4 Moral rights

No person is entitled to assert any moral rights under the Copyright, Designs and Patents Act 1988 or any similar rights in respect of the Owned IPR.

21.5 Intellectual Property Rights created by employees, consultants or contractors

- 21.5.1 The legal and beneficial ownership of all Intellectual Property Rights created by past or present employees of the Company or by any consultant or contractor used by the Company has been assigned to or is vested in the Company.
- 21.5.2 All inventions made by employees, consultants or contractors of the Company which are or have been used or enjoyed by the Company were made in the course of the normal duties of such persons and no claim for compensation under section 40 of the Patents Act 1977 or otherwise has been made against the Company nor so far as the Seller are aware is any such claim likely to be made.

21.6 Maintenance and protection

- 21.6.1 Any application, renewal and other official statutory and regulatory fees and all professional advisers' fees relating to the administration, maintenance, protection or enforcement of the Owned IPR:
 - (a) rendered to and received by the Company before the date of this Agreement have all been duly paid on time; and
 - (b) do not fall due within the six months following the date of this Agreement.
- 21.6.2 No act, omission or event has occurred that would entitle any authority or person to cancel, forfeit or modify any Owned IPR.
- 21.6.3 The Company has not granted nor is obliged to grant any licences of any Owned IPR or to provide know-how to any third party.
- 21.6.4 No disclosure has been made to any person other than the Buyer of any Confidential Information except properly and in the ordinary course of business and on signature

by the recipient of a written confidentiality undertaking that such disclosure is to be treated as being of a confidential nature.

21.6.5 None of the Owned IPR is, or in the last six years has been:

- (a) the subject of any attack, challenge, claim or proceedings in relation to infringement, entitlement, opposition, invalidation or revocation brought by a third party; or
- (b) the subject of or basis for any attack, challenge, claim or proceedings for infringement, entitlement, opposition, invalidation or revocation brought against a third party.

21.6.6 There exists no actual or threatened infringement (including misuse of Confidential Information) or any event likely to constitute an infringement or breach by any third party of any of the Owned IPR.

21.6.7 There is no litigation or other proceedings (whether legal or administrative) pending or threatened involving any Owned IPR or any circumstances likely to give rise to any such proceedings and no person has made any claim adverse to the continuing enjoyment by the Company of the Owned IPR.

21.7 Licensed IPR

21.7.1 In respect of the licences, agreements, authorisations and permissions under which the Company makes use of the Licensed IPR (**Licences**):

- (a) all of the Licences are in full force and effect and valid and binding, to enable the Company to use and continue to use the Licensed IPR on the same terms as have been applicable to date;
- (b) all of the Licences have been registered with the appropriate authorities, where they could have been so registered;
- (c) all of the Licences have been fully complied with by the parties thereto;
- (d) none of the Licences are subject to any notice given by any party to terminate them;
- (e) none of the Licences are subject to any dispute, nor are any disputes foreseeable in respect thereof;
- (f) no changes to the terms of the Licences have been made (in writing or otherwise); and
- (g) no circumstances exist or have existed which would entitle any party to terminate or vary any of the Licences.

21.7.2 The Licensed IPR will not be lost or rendered liable to termination by virtue of the acquisition of the Sale Shares by the Buyer or the performance of this Agreement or any of the Transaction Documents.

21.7.3 The Company has not infringed the Intellectual Property Rights of any other person (including breach of any duty of confidence, passing off or actionable act of unfair competition), whether or not by breaching the terms of any licence, agreement, authorisation or permission under which the Company makes use of the Licensed IPR.

21.7.4 The Company is not aware of any circumstances suggesting, or has received any notice, that:

- (a) any of the Licensed IPR are invalid and unenforceable, or that anything has been done, or omitted to be done, as a result of which any of them has ceased or might cease to be valid, subsisting or enforceable;
- (b) there has occurred any act, omission or event that would entitle any authority or person to cancel, forfeit or modify any Licensed IPR;
- (c) the Licensed IPR has been the subject of any attack, challenge, claim or proceedings in relation to infringement, entitlement, opposition, invalidation or revocation brought by a third party;
- (d) there is any litigation or other proceedings (whether legal or administrative) pending or threatened involving any Licensed IPR or any circumstances likely to give rise to any such proceedings; or
- (e) any person has made any claim adverse to the continuing enjoyment by the Company of the Licensed IPR.

22. INFORMATION TECHNOLOGY

22.1 Definitions

The following words shall have the following meanings:

IT Contracts	any agreements, licences or other contractual arrangements with third parties relating to the use, access or provision of IT Systems or IT Services.
IT Services	any services relating to the IT Systems or to any other aspect of the Group's data processing or other technology requirements, including software or database development, support or maintenance, consultancy, source code deposit, hosting, back-up, recovery and network services, facilities management or hardware support or maintenance.
IT Systems	all computer programs (in both source and object code form), mobile applications, data and databases, computer hardware and peripherals, mobile devices, telecommunications and network equipment used, licenced or leased by the Group and all associated user and technical manuals.

22.2 Information Technology

- 22.2.1 None of the IT Systems is wholly or partly dependent on any facilities or services not under the exclusive ownership and control of the Company.
- 22.2.2 All IT Systems are either owned by the Company or used pursuant to a valid IT Contract.
- 22.2.3 All IT Systems are in good working order, function in accordance with all applicable specifications and have been, and are being, properly, regularly maintained and upgraded.
- 22.2.4 All IT Systems are commonly available, off the shelf and not bespoke to the requirements of the Company.

- 22.2.5 No part of the IT Systems has failed to function or has otherwise interrupted or hindered the operation of the business of the Company at any time during the last 24 months.

23. FULL DISCLOSURE

- 23.1 All information given to the Buyer or its representatives or advisers by the Sellers or any of them or by any officer or employee of the Company or by their respective advisers in the course of the negotiations leading to this Agreement was when given, and is now true and accurate in all respects. To the extent that any such information is a matter of opinion or represents a forecast, intention or expectation, such opinion, forecast, intention or expectation is honestly held or believed by each of the Sellers.

**SCHEDULE 8
TAX**

Part 1

1. DEFINITIONS AND INTERPRETATION

1.1 In this Schedule 8 the following words shall have the following meanings:

Accounting Period	in relation to any company, the period determined in accordance with sections 9 and 10 of CTA 2009.
Account's Relief	any Relief, or any right to repayment of Tax which is: (a) shown in, or is otherwise taken into account as an asset in preparing, the Completion Balance Sheet and/or Completion Statement; or (b) is taken into account in calculating (and so reducing or eliminating) any provision for deferred Tax which appears, or, but for the presumed availability of any Relief or right to repayment of Tax, would have appeared, in the Completion Balance Sheet and/or Completion Statement.
Actual Tax Liability	in relation to any person, a liability of that person to make a payment or increased payment of, or in respect of, or on account of Tax, whether or not: (a) such Tax is also or alternatively chargeable against or attributable to any other person; (b) such Tax has been discharged on or before Completion; and/or (c) that person may have a right of reimbursement against any other person.
Buyer's Relief	(a) any Accounts Relief; (b) any Relief arising to the Company in respect of any period (or part of any period) or Event occurring or deemed to occur after Completion; and (c) any Relief arising to any member of the Buyer's Tax Group (other than the Company) whenever such Relief arises.
Buyer's Tax Group	the Buyer and any other company or companies which either are at Completion, were at any time in the seven year period ended at Completion, or become after Completion, treated as members of the same group of companies for the purposes of any Tax;
CFA 2017	Criminal Finances Act 2017.
Claim for Tax	any assessment, notice, demand or other document issued or action taken by, or on behalf of, any Tax Authority or the submission to any Tax Authority of any self-assessment return or any notice, computation or other document required by Law, from

which it appears that the Company is subject to, is sought to be made subject to, or might become subject to, any Tax Liability.

CTA 2009	Corporation Tax Act 2009.
CTA 2010	Corporation Tax Act 2010.
Default Rate	4% above the base rate of HSBC Bank plc or, in the absence of such base rate, the base rate of such other of the major United Kingdom clearing banks as the Buyer shall select and, in accordance with Clause 14, notify to the Seller or the Seller on their behalf.
Event	includes (without limitation) any event, occurrence, transfer of value, transaction, act or omission, including (without limitation) the sale and purchase of the Sale Shares pursuant to this Agreement, the death or change in the residence for the purposes of Tax of any person and the Company becoming or ceasing to become a member of a group of companies, or becoming or ceasing to be associated or connected with any person for the purposes of any Tax) and the earning, receipt or accrual for any Tax purpose of any income, profits or gains.
FA	Finance Act.
Group Relief	(a) group relief capable of being surrendered or claimed pursuant to Part 5 of CTA 2010; (b) a tax refund capable of being surrendered or claimed pursuant to section 963 of CTA 2010; (c) the notional transfer of an asset or reallocation of a gain or loss pursuant to section 171A or section 179A of TCGA 1992 and the notional reallocation of a gain pursuant to section 792 of CTA 2009; (d) eligible unrelieved foreign tax surrendered or claimed pursuant to the Double Taxation Relief (Surrender of Relievable Tax within a Group) Regulations 2001 (SI 2001/1163); and (e) any other Relief available between members of a group or consortium for Tax purposes;
HMRC	HM Revenue & Customs.
ITEPA 2003	Income Tax (Earnings and Pensions) Act 2003.
Overprovision	the amount by which any provision for Tax (other than deferred tax) in the Completion Statement is overstated, except where such overstatement arises as a result of: (a) a change in law (b) a change in the accounting bases on which the Company values its assets; or (c) a voluntary act or omission of the Buyer

which, in each case, occurs after Completion.

Relief	includes any loss, deficit, allowance, exemption, set-off, deduction, credit or other relief relating to any Tax or to the computation of income, profits or chargeable gains for the purposes of any Tax and any right to a refund or repayment or saving of Tax.
Tax	(a) any and all forms of tax, levy, contributions, duty, charge, impost, tariff, withholding, deduction, rate of government charge or other amount whenever created or imposed and whether of the United Kingdom or elsewhere, payable to or imposed by any Tax Authority or any other person as a result of any enactment relating to tax; and (b) all charges, interest, penalties and fines incidental or relating to any Tax falling within (a) above or to any failure to submit, or timely to submit, or to fail fully or accurately to complete, any return, form, account or computation required by any Tax Authority (whether they are charged together with any tax or are charged in isolation).
Tax Authority	HMRC or any other revenue, customs, fiscal, governmental, statutory, state, provincial, local governmental or municipal authority, body, court, official or person, whether of the United Kingdom or elsewhere, competent to impose, assess, make any ruling on or collect any Tax.
Tax Liability	in relation to any person, any Actual Tax Liability or Deemed Tax Liability of that person or any other liability of, or amount incurred by, or charged against, that person, in each case falling within any of Paragraphs 3.1.1 to 3.1.16.
TCGA 1992	Taxation of Chargeable Gains Act 1992.
TMA 1970	Taxes Management Act 1970.
T(IOPA) 2010	Taxation (International and Other Provisions) Act 2010.
unavailability	in relation to a Relief, the unavailability, reduction, modification, claw-back, counteraction, disallowance or cancellation of, or failure to obtain, that Relief, and unavailable shall be construed accordingly.
VAT	value added tax (or its equivalent outside the United Kingdom).
VATA 1994	Value Added Tax Act 1994.

- 1.2 In this Schedule 8, **Deemed Tax Liability** in relation to any person, means, where any of the circumstances set out in column (A) of the table below apply to, or in relation to, that person, an amount determined in accordance with the relevant provision set out in column (B) of the table.

(A)	(B)
1.2.1 The unavailability of all or any part of any Accounts Relief which is a right to a repayment of Tax.	1.2.1 So much of the amount of such repayment as corresponds to the amount of the Accounts Relief which is unavailable.

- 1.2.2 The unavailability of all or any part of any Accounts Relief other than right to a repayment of Tax.
- 1.2.1 the amount of Tax, on the basis of the tax rates used in the deferred Tax provision in the Completion Balance Sheet, which would otherwise have been saved by the Company if not for the unavailability of the Relief, assuming for this purpose that the Company had sufficient profits or was otherwise in a position to use the Relief.
- 1.2.2 The setting-off of any Buyer's Relief against:
- (a) any Actual Tax Liability of the Company; or
- (b) any income, profits or gain earned, accrued or received of the Company in circumstances where (but for such setting-off) the Company would have had an Actual Tax Liability,
- 1.2.2 So much of the amount of such asset as corresponds to the amount of the Buyer's Relief which would have been available but for such setting-off.
- in either case, in respect of which the Buyer would, but for that setting-off, have had a claim against the Seller under the Tax Covenant.
- 1.3 In determining for the purposes of this Schedule 8 whether a charge on, or power to sell, mortgage or charge, any share or asset exists at any time, the fact that any Tax has not become payable or may be paid by instalments shall be disregarded, and such Tax shall be treated as becoming due, and the charge on, or power to sell, mortgage or charge as arising, on the date of the transfer of value or other Event as a result of, in respect of, or by reference to, which it becomes payable or arises.
- 1.4 For the purposes of this Schedule, each of the following Tax Liabilities of any person shall be treated as arising otherwise than, or as a result of an act, omission or transaction otherwise than, in the ordinary course of trading of that person:
- 1.4.1 any Tax Liability of that person which is payable by or otherwise recoverable from that person by reason of the failure by any other person to pay or otherwise discharge any liability to Tax;
- 1.4.2 any Tax Liability of that person either arising under Parts 14 to 21 of CTA 2010 or arising in respect of any transaction or arrangement which includes any step having no commercial or business purpose apart from the reduction, avoidance or deferral of a liability to Tax;
- 1.4.3 any Tax Liability of that person arising in respect of any distribution or deemed distribution (as construed in accordance with Part 23 of CTA 2010) made by that person, the creation, cancellation or re-organisation of any share or loan capital by that person, the making of any loan or advance by that person, the creation, cancellation, satisfaction, waiver or repayment of any intra-group indebtedness by that person or, in the case of a company, that company being, becoming or ceasing to be, or being treated, for the purposes of any Tax, as ceasing to be, related to any other person for the purposes of any Tax;
- 1.4.4 any Tax Liability of that person arising as a result of the application of any of the provisions of Part 4 of T(IOP)A 2010;

- 1.4.5 any Tax Liability of that person which arises by reason of, or is attributable to, the failure by that person to deduct or withhold any Tax from any payment or, if due, to account to any Tax Authority for any such Tax;
- 1.4.6 any Tax Liability of that person arising as a result of anything that relates to any scheme, transaction or arrangement that gives rise, or may give rise, to a Tax Liability under any anti-avoidance legislation, that is designed partly or wholly (or contains steps or stages designed partly or wholly) to avoid, reduce or defer a Tax Liability, or that gives rise to a duty to notify a Tax Authority under any legislation introduced to counter tax avoidance;
- 1.4.7 any Tax Liability of that person arising, directly or indirectly, as a result of a change of residence of the Company for Tax purposes;
- 1.4.8 any Tax Liability of that person arising from any cessation, closure, rationalisation or reorganisation of any material part of any trade or business carried on by that person;
- 1.4.9 any Tax Liability of that person which arises by reason of, or is attributable to, the disposal by that person of any asset in circumstances where the amount of the gain by reference to which that person is subject to Tax exceeds the actual consideration received by that person for that disposal less the value attributed to that asset in the Accounts, in which case, the amount of that excess shall be treated as arising otherwise than, or as a result of an act, omission or transaction otherwise than, in the ordinary course of trading of that person; and
- 1.4.10 any Tax Liability of that person arising by reason of any change in the date to which that person makes up its accounts.
- 1.5 Any liability of the Company to income tax and/or national insurance contributions under the PAYE system as a result of either the disposal (or anything leading to the disposal) of the Sale Shares or the exercise of any options which are exercisable on or before Completion or become exercisable as a result of, or by reason of, the sale of the Company shall be treated, for the purposes of this Schedule 8, as arising as a result of an Event occurring on Completion otherwise than in the ordinary course of trading.
- 1.6 The payment by any person of instalments of corporation tax shall be treated, for the purposes of Paragraph 4.1.5(b), as an act in the ordinary course of trading of that person except where that person (or someone acting on its behalf) deliberately or recklessly fails to pay the amount due under regulation 5 of the Corporation Tax (Instalment Payments) Regulations 1998.
- 1.7 References in this Schedule 8 to:
 - 1.7.1 any Event shall include any combination of two or more Events;
 - 1.7.2 any Event occurring or taking place shall include any Event that is deemed, for the purposes of any Tax, to have occurred or taken place;
 - 1.7.3 any income, profits or chargeable gains being earned, accrued or received shall include any income, profits or chargeable gains that are deemed, for the purposes of any Tax, to have been earned, accrued or received; and
 - 1.7.4 any Event occurring on or before Completion shall include any combination of two or more Events, provided that, in that case, one or more of those Events shall occur on or before Completion and those Events which shall occur after Completion shall have occurred:
 - (a) pursuant to a legally binding commitment entered into by, or on behalf of, the Company on or before Completion; and

- (b) otherwise than in the ordinary course of trading of the Company, as carried on immediately before Completion.

1.8 References in this Schedule 8 to any person being related to any other person for the purposes of any Tax shall include:

- 1.8.1 that person having control (as that expression is defined for the purposes of any Tax) of that other person;
- 1.8.2 that person being connected (as that expression is defined for the purposes of any Tax) with that other person;
- 1.8.3 any other person having control (as defined in Paragraph 1.8.1) of, or being connected (as defined in Paragraph 1.8.2) with, that person and that other person;
- 1.8.4 that person being the holding company of that other person or being a subsidiary of either that other person or any other person of which that other person is also a subsidiary;
- 1.8.5 that person being a direct or indirect participant in the management, control or capital of that other person (for the purposes of Part 4 of T(IOP)A 2010),

and so that where one person is related to another person each shall be regarded as being related to the other.

- 1.9 An accounting period of the Company shall be deemed to end on Completion for the purposes of determining whether any Tax Liability of the Company relates to an Event that occurred or to a period that ended on or before Completion.
- 1.10 Any fine under section 45 or section 46 of the CFA 2017 which is imposed on the Company at any time and by reference to any period occurring on or before Completion shall be deemed to be a liability of the Company to make an actual payment of Tax because of an Event arising on the day immediately prior to Completion.
- 1.11 Any repayment which the Company is required to make to (or other claw back by) a Tax Authority of or in respect of a payment of a payable tax credit (including, for the avoidance of doubt, any payment of R&D expenditure credit (as defined for the purposes of chapter 6A, Part 3 CTA 2009) or R&D tax credit (as defined for the purposes of Part 13 CTA 2009)) which has been made to the Company on or before Completion shall be deemed to be Tax in respect of which the Company is liable to make an actual payment, and the receipt by the Company of such payment previously made to it shall be deemed to be the Event which gave rise to such liability.
- 1.12 Any stamp duty charged on any document (or in the case of a document that is outside the UK, any stamp duty that would be charged on the document if it were brought into the UK) that is necessary to establish the title of the Company to any asset, and any interest, fine or penalty relating to the stamp duty, shall be deemed to be a liability of the Company to make an actual payment of Tax because of an Event arising on the last day on which it would have been necessary to pay the stamp duty to avoid any liability to interest or penalties arising on it.
- 1.13 References to any Tax Liability of the Company which results from any gains earned, received or accruing on or before Completion or any Event on or before Completion include a reference to any Tax Liability of the Company arising as a result of Completion or of entering into this Agreement, or of the satisfaction of any condition in this Agreement, or as a result of forming the intention, or of entering upon arrangements, to enter into this Agreement (including any liability as the result of any company ceasing to be, or ceasing to be treated as, a member of a group of companies for the purpose of any Tax).

- 1.14 References to any law, term or concept of the United Kingdom shall be read and construed as also meaning any law, term or concept of any other jurisdiction that has an equivalent purpose or that most nearly approximates to it (if any).
- 1.15 References to any "dividend" shall include anything which has been deemed to be a dividend or distribution to shareholders or others for the purposes of any Tax Assessment.
- 1.16 References to any "payment" or "distribution" made on or before a particular date shall include:
 - 1.16.1 any payment or distribution which on or before that date has fallen due to be made; and
 - 1.16.2 any act or transaction which has occurred on or before that date and is or has been deemed to be a payment or distribution for the purposes of any Tax Assessment.

Part 2

2. TAX WARRANTIES

2.1 Payment

The Company has duly and punctually paid all Tax which it has become liable to pay or for which it has become liable to account on or before Completion. There is no Tax the payment of which has been postponed by agreement with the relevant Tax Authority or by virtue of any right under any legislation relating to any Tax or the practice of any Tax Authority.

2.2 Accounts

- 2.2.1 All liabilities, whether actual, deferred, contingent or disputed, of the Company for Tax measured by reference to income, profits or gains earned, accrued or received on or before the Accounts Date or arising in respect of an Event occurring on or before the Accounts Date are fully provided for or (as appropriate) disclosed in the Accounts.
- 2.2.2 The amount of the provision for deferred taxation contained in the Accounts was, at the date the Accounts were finalised, adequate and fully in accordance with accountancy practices generally accepted in the UK and commonly adopted by companies carrying on businesses similar to those carried on by the Company.

2.3 Returns etc.

- 2.3.1 The Company has duly, and within any appropriate time limits, made all returns, given all notices and supplied all other information required to be supplied to all Tax Authorities and has maintained all records required to be maintained for the purposes of any Tax.
- 2.3.2 All such information as has been supplied to any Tax Authority was, when supplied, and remains complete and accurate in all respects.
- 2.3.3 All such returns and notices as have been made or given to any Tax Authority were, when made or given, and remain complete and accurate in all respects and were made on the proper basis.
- 2.3.4 No information supplied, no returns made and no notices given, in each case, to any Taxation Authority reveals, and, so far as the Seller are aware, are likely to reveal, any transactions which may be the subject of any dispute with, or any enquiry raised by, such Tax Authority.

2.4 Disputes and Investigations

The Company is not involved in any current dispute with any Tax Authority or is or has in the last six years been the subject of any dispute, investigation, enquiry, audit or non-routine visit by any Tax Authority. There is, so far as the Seller are aware, no planned dispute, investigation, enquiry, audit or non-routine visit by any Tax Authority in relation to the Company, and there are no facts which might cause such a dispute, investigation, enquiry, audit or non-routine visit to be instituted.

2.5 Penalties and Interest

Within the last seven years, neither the Company nor any director or officer of the Company (in their capacity as such) has paid or has become liable to pay, and there are no circumstances by reason of which it or they may become liable to pay, to any Tax Authority any penalty, fine, surcharge or interest in respect of Tax (including in respect of any failure to make any return, give any notice or supply any information to any relevant Tax Authority, or any failure to keep or preserve any records or to pay Tax on the due date for payment).

2.6 Special Arrangements

No Tax Authority has operated or agreed to operate any special arrangement (being an arrangement which is not based on relevant legislation or any published practice) in relation to the affairs of the Company.

2.7 Position since last Accounts Date

Since the Accounts Date:

- 2.7.1 the Company has not been involved in any transaction which has given or may give rise to a liability to Tax (or would have given or might give rise to such a liability but for the availability of any Relief) other than Tax in respect of normal trading income or receipts of that company arising from transactions entered into by it in the ordinary course of business;
- 2.7.2 no disposal has taken place or other event has occurred which has or may have the effect of a liability to Tax which, if such disposal or event had been planned or predicted at the Accounts Date, should have been reflected in the provision for deferred tax set out in the Accounts;
- 2.7.3 no event has occurred which has or may have the effect of prejudicing any Relief taken into account in computing or eliminating the provision for deferred tax set out in the Accounts; and
- 2.7.4 no Accounting Period of the Company has ended.

2.8 Distributions

- 2.8.1 The Company has not, since incorporation, issued any share capital as paid up otherwise than by the receipt of new consideration (within the meaning of section 1115 of CTA 2010) or has redeemed, repaid, purchased or otherwise acquired, or agreed to redeem, repay, purchase or otherwise acquire, any of its shares.
- 2.8.2 No securities (within the meaning of section 1117 of CTA 2010) issued by the Company and remaining in issue at the date of this Agreement were issued in circumstances such that the interest or any other amount payable on those securities falls to be treated as a distribution for the purposes of Tax.
- 2.8.3 The Company has not, within the last seven years, made or received any distribution which is an exempt distribution within Chapter 5 of Part 23 to CTA 2010.
- 2.8.4 The Company has never made any repayment of share capital to which Section 1022 of CTA 2010 applies or issued any share capital paid up otherwise than by the receipt of new consideration.
- 2.8.5 The Company has not issued any share capital which is of a qualifying class as defined in Section 1049(2) of CTA 2010 (stock dividends) nor does the Company own any such share capital.

2.9 Non-deductible revenue outgoings

All sums payable under any obligation incurred by the Company prior to Completion and which will continue to bind the Company after Completion have been and will continue to be deductible in full for corporation tax purposes, either in computing the profits of the Company or in computing the corporation tax chargeable on the Company and such sums payable by the Company shall include, without limitation, all remuneration and other sums (including any payments made directly or indirectly in consideration or in consequence of, or otherwise in connection with, the termination of the holding of any office or employment) paid or payable and all benefits provided or agreed to be provided to employees or officers of the Company and all

Interest, rent, royalties, annuities and other annual payments paid or payable by the Company under any loan agreement, lease, contract, covenant or other commitment or arrangement.

2.10 Capital gains, intangibles, and groups

- 2.10.1 No liability to Taxation would be incurred (or would be incurred but for the availability of any relief, allowance, deduction or credit) by the Company on a disposal by it of all or any of its assets for:
- (a) in the case of each asset owned by it at the Accounts Date, a consideration equal to the value attributed to that asset in preparing the Accounts; or
 - (b) in the case of any asset acquired since the Accounts Date, a consideration equal to the consideration given for the asset.
- 2.10.2 The Company has not within the last seven years acquired any asset from any other company which was, at the time of such acquisition, a member of the same group of companies as the Company for the purposes of any Tax.
- 2.10.3 There are Disclosed full particulars of all claims and elections made (or assumed in the Accounts to be made) insofar as they could affect the chargeable gain, chargeable realisation gain or allowable loss which would arise in the event of a disposal after the Accounts Date by the Company of any of its assets.
- 2.10.4 There are Disclosed full particulars of all the intangible fixed assets of the Company to which Part 8 of CTA 2009 applies and the basis of any relief from Taxation claimed in respect of such intangible assets.
- 2.10.5 The Company is not and has never been a member of a group of companies or a fiscal consolidation or fiscal unity for the purposes of any Taxation, other than the group comprised solely of the Company and the Subsidiaries.
- 2.10.6 There are Disclosed full details of all surrenders of or claims to which the Company is or has been party in the last seven years for any amount by way of Group Relief and, except as provided in the Accounts, the Company is not, nor will be, obliged to make or entitled to receive any payment for Group Relief in respect of any period ending on or before the Accounts Date.
- 2.10.7 The Company has not entered into, nor agreed to enter into, an election pursuant to section 171A of TCGA 1992 (election to reallocate gain or loss) or sections 792 CTA 2009 (reallocation of de-grouping charge).

2.11 Withholdings

The Company has made all deductions and retentions of, or on account of, Tax as it was or is obliged or entitled to make, and all such payments of, or on account of, Tax as should have been made to any Tax Authority in respect of such deductions or retentions have been made.

2.12 Book Values

If the Company were to dispose of each of its assets (except trading stock and work in progress) for a consideration equal to the book value of that asset as shown in or adopted for the purposes of the Accounts to a person not connected with it and by way of bargain at arm's length, no liability to Tax would arise by reference to any actual or deemed profit or gain. The Company has not acquired any such asset except by way of bargain at arm's length and from a person not connected with it.

2.13 Capital Allowances

If the Company were to dispose of each of its assets which qualifies for capital allowances, or were to dispose of any pool of such assets (that is to say all those assets expenditure relating to which would be taken into account in computing whether a balancing charge would arise on a disposal of any of those assets) for a consideration equal to its book value as shown in or adopted for the purpose of the Accounts, no balancing charge would arise in respect of any such asset or pool of assets under any legislation relating to capital allowances.

2.14 Close Companies

Within the last six years:

- 2.14.1 the Company has not made any transfers of value within section 94 of the Inheritance Tax Act 1984;
- 2.14.2 the Company has not done anything so as to give rise to an assessment or any charge to tax under Chapter 3 of Part 10 to CTA 2010;
- 2.14.3 The Company has not made a distribution within the meaning of Section 1064 of CTA 2010 except as provided for and properly disclosed in the Accounts; and
- 2.14.4 the Company has not issued a relevant discounted security to which section 409 of CTA 2009 (*Discounted securities of close companies*) may apply.

2.15 Loan relationships

- 2.15.1 No liability to Taxation or non-trading deficit would arise for the Company from the loan relationships to which the company is party being repaid to the extent of the amounts shown in respect of such loan relationships in the books of the Company at the date hereof.
- 2.15.2 All borrowings by or advances by the Company reflected in the Accounts constitute loan relationships of the Company.
- 2.15.3 No interest or other amounts treated as a credit or claimed as a debit by the Company (including imputed interest under Part 4 of the TIOPA) remains unpaid and no such debits, save where they relate to unpaid interest, are prevented from being deducted in computing the taxable profits of the Company for whatever reason, including, without limitation because a relationship is for an unallowable purpose as defined in Section 441 of CTA 2009.
- 2.15.4 There are Disclosed full particulars of the Company's derivative contracts for the purposes of Part 7 of CTA 2009.

2.16 Anti-Avoidance

- 2.16.1 The Company has not been concerned in (or is, in any way, affected by) any transaction, scheme or arrangement of which the main purpose or one of the main purposes was the avoidance of, a reduction in, or a deferral of, a liability to Tax.
- 2.16.2 The Company has not entered into any notifiable arrangements for the purposes of Part 7 of FA 2004, any notifiable contribution arrangement for the purposes of the National Insurance Contributions (Application of Part 7 of the FA 2004) Regulations 2012 (SI 2012/1868) or any notifiable schemes for the purposes of Schedule 11A to VATA 1994.
- 2.16.3 No person, acting in the capacity of an associated person (as defined in section 44(4) of the CFA 2017) of the Company has committed:

- (a) a UK tax evasion facilitation offence under section 45 of the CFA 2017; or
 - (b) a foreign tax evasion facilitation offence under section 46 of the CFA 2017.
- 2.16.4 The Company has in place (and has had in place at all times since 30 September 2017) such prevention procedures (as defined in sections 45(3) and 46(4) of the CFA 2017) as are proportionate to its business risk and are in line with any guidance published from time to time by HMRC pursuant to section 47 of the CFA 2017.
- 2.16.5 The Company nor any of its associated persons (as defined in section 44(4) of the CFA 2017) is or has been the subject of any investigation, inquiry or enforcement proceedings regarding any offence or alleged offence under Part 3 of the CFA 2017 and no such investigation, inquiry or enforcement proceedings has been threatened or is pending and there are no circumstances likely to give rise to any such investigation, inquiry or proceedings.

2.17 Value Added Tax

- 2.17.1 The Company:
- (a) is registered for the purposes of value added tax, has been so registered at all times that it has been required to be registered by legislation relating to VAT, and such registration is not subject to any conditions imposed by or agreed with HMRC; and
 - (b) has complied with and observed in all material respects the terms of legislation relating to VAT and has at all times maintained and obtained complete, correct and up to date records, invoices and other documents (as the case may be) appropriate or requisite for the purposes of such legislation and has preserved such records, invoices and other documents in such form and for such periods as are required by such legislation.
- 2.17.2 The Company is not, nor has ever been, a member of a group of companies for the purposes of VAT and has not applied to be treated as such a member.
- 2.17.3 The Company is entitled to obtain full credit for input tax paid or suffered by it and there are no circumstances by reason of which the Company may cease to be so entitled.
- 2.17.4 The Company has not been a transferee of a business or part of a business as a going concern and has not as part of such a transfer taken over the VAT registration number of that transferred business.
- 2.17.5 The Company is not, has never been, and has never been required to be, registered for the purposes of and has not paid and has never had any liability to pay any value added, goods and services or sales tax in any jurisdiction outside the UK.
- 2.17.6 All customs duty and import VAT and other import taxes payable by the Company in respect of any importation has been duly paid and all required procedures complied with.
- 2.17.7 The Company has never been subject to a VAT reverse charge or self-supply provisions and procedures.
- 2.17.8 The Company has not deferred the payment of any VAT due in the period ended on 30 June 2020 which remains outstanding, has not agreed or sought to agree with a Tax Authority deferment of payment of VAT or any other Taxation under a Time to Pay or other arrangement and no Taxation payments due have been deferred under any such arrangement.

- 2.17.9 The Company has not opted to tax (within the meaning of Schedule 10 to VATA 1994) the Premises (or any of, or any part of, them) and has not made a real estate election in relation to any land (within the meaning of paragraph 21 of Schedule 10 to VATA 1994).
- 2.17.10 The Disclosure Letter sets out accurately, in respect of each of the assets (if any) of the Company which is a capital item for the purpose of Part XV of the Value Added Tax Regulations 1995, the following:
- (a) details of the capital item;
 - (b) the amount of the total input tax on the capital item (within the meaning of the said Regulations) and the extent of the input tax entitlement at the time that the original deduction was determined, and any adjustments made or to be made having regard to events occurred up to the date of this Agreement;
 - (c) the date of acquisition of the capital item and the number of intervals in the adjustment period remaining at the date of this Agreement; and
 - (d) full particulars of all matters to date relevant in determining any adjustments.

2.18 Stamp Taxes

- 2.18.1 All documents in the possession or under the control of the Company or to the production of which the Company is entitled which establish or are necessary to establish the title of the Company to any asset, or by virtue of which the Company has any right, have been duly stamped and any applicable stamp duties or charges in respect of such documents have been duly accounted for and paid, and no such documents which are outside the United Kingdom would attract a liability to stamp duty if they were brought into the United Kingdom.
- 2.18.2 The Disclosure Letter contains full details (including details of the parties to the relevant transaction, its subject-matter, the effective date, and the amount of any stamp duty land tax already paid, together with records kept in connection with any land transaction return which has already been delivered) of all land transactions:
- (a) which have an effective date falling before Completion; or
 - (b) in respect of which the date of the contract for the land transaction falls before Completion,
- and, in either case, in respect of which the Company will be under or may become subject to an obligation to deliver a return or further return or to pay additional stamp duty land tax or to pay stamp duty land tax where none was previously payable.

2.19 Secondary Liabilities

The Company is not liable to pay, make reimbursement of, or to indemnify in respect of, any Tax (or any amount corresponding to Tax) as a consequence of the failure by any other person to discharge that Tax or amount within any specified period or otherwise.

2.20 Employment taxation

- 2.20.1 In this paragraph 2.20 and preceding paragraph 2.21 only, “employee” means any person who is, or could be, treated, regarded or deemed for Tax purposes to be an employee of the Company (which includes but is not limited to directors and other officers), irrespective of whether such person is under a contract of employment with, or otherwise treated or regarded as an employee by, the Company.

- 2.20.2 The Company has properly operated the Pay As You Earn (“PAYE”) system (and all similar applicable systems in jurisdictions outside the UK) and has correctly and timeously accounted under such system to a Tax Authority for all Tax deducted from or otherwise payable in respect of payments made to its employees and all Tax chargeable on benefits provided to its employees, and all returns (required by Part II of ITEPA and regulations made thereunder or otherwise in jurisdictions outside the UK) have been punctually made and are accurate and complete in all respects and the Company has not been subject to an audit or enquiry in respect of such matters in the last seven years.
- 2.20.3 The Company has not been granted any dispensations (such as a PAYE Settlement Agreement) relating to the Taxation of its employees or the reporting of benefits provided to such employees where such dispensation is currently applied or has been applied in the last seven years.
- 2.20.4 The Company has not paid or agreed to pay any remuneration (including bonuses) or other emoluments or provided any benefit to any employee or officer of it other than such payments as were or will be allowable as a deduction in computing the profits of the Company for the purposes of corporation tax (or in jurisdictions other than the UK, any Tax on profits or gains).
- 2.20.5 Since the Accounts Date, the Company has not made any ex gratia payments to an employee or officer or to a former employee or officer.
- 2.20.6 There are no arrangements in place under which a payment, loan or provision of any asset has been or could be made, or an earmarking of any asset has been or could be made, by a third party, to or in favour of a person who is, has been or could become, an employee or officer of the Company, or is connected to such a person.
- 2.20.7 The Company has always complied with, and had appropriate processes in place to comply with, its obligations under the off-payroll working rules in Chapter 10 of Part 2 of ITEPA 2003 and to undertake appropriate due diligence of its labour supply chains.
- 2.20.8 The Company has in place appropriate processes to ensure that all persons providing services to the Company as a self-employed person are not for tax purposes required to be treated as an employee and this includes as a minimum using HMRC’s CEST tool.

2.21 Employment related securities

- 2.21.1 In this paragraph 2.20, “**Employment-Related Security**” means any security (as defined by Section 420 of ITEPA), or any interest in any security, acquired by any person, where the right or opportunity to acquire the securities or the interest in the securities was made available by reason of the employment (that expression having the same meaning which it is given in Section 421B of ITEPA) of that person or of any other person with the Company.
- 2.21.2 There are Disclosed full details of all Employment-Related Securities acquired by any person, including without prejudice to the generality of the foregoing full details of any securities which were restricted securities (within the meaning in Section 423 of ITEPA at the time of the acquisition) and details of all elections made under Section 431 to ITEPA in relation to such securities (and of any liability to employment income which has arisen or may arise as a result of that election).
- 2.21.3 No Employment-Related Securities have been disposed of (at any time on or before Completion) in circumstances where chapter 3D of Part 7 of ITEPA (securities disposed of for more than market value) could apply to the disposal, and without prejudice to the generality of the foregoing no former officer or employee has sold any shares in the Company on or following their cessation of employment or office

for a price which was greater than the market value of those shares at the date of disposal.

- 2.21.4 No associated person (within the meaning in Section 421C of ITEPA) has received any benefit which may be subject to tax under Chapter 4 of Part 7 ITEPA (post-acquisition benefits) by virtue of the ownership of Employment-Related Securities.
- 2.21.5 There has been no acquisition at any time by any person of Employment Related Securities for a value below their market value at the time of acquisition.
- 2.21.6 The Company has at all times submitted to the relevant Tax Authority by the requisite dates complete and accurate of all reportable events (as defined in Section 421K of ITEPA in relation to which it is a responsible person (as defined in Section 421L of ITEPA.

2.22 Share Incentives/Options

- 2.22.1 The Company has not ever introduced or operated a share incentive or share option scheme for its employees or officers and none of its employees or officers have been granted any rights over, or in relation to, shares.
- 2.22.2 The Company will not incur any liability to national insurance contributions nor have any liability to account for income tax or national insurance contributions under the PAYE system (within the meaning of section 686 of ITEPA 2003) in respect of:
 - (a) the exercise of any options to acquire shares or securities (howsoever defined) granted (by the Company or otherwise) to any employees and/or directors where such options are capable of being exercised at any time on or after Completion (whether or not also capable of being exercised at any time before Completion); or
 - (b) the sale of any of the Sale Shares (whether in respect of any liability falling within Chapters 2 to 4 (inclusive) of Part 7 of ITEPA 2003 or otherwise).
- 2.22.3 Details of all elections made pursuant to section 431 of ITEPA 2003 in respect of any of the Sale Shares are set out in the Disclosure Letter.

2.23 Research and Development Tax credits and Patent Box

- 2.23.1 The Company has engaged reputable external advisors, and retains a copy of their advice that a claim is reasonable or those advisors have prepared such a claim, in any case where it has claimed Research and Development ("R&D") Tax credits, R&D Expenditure Credits, or any other benefit under the R&D Tax regime in Part 13 of CTA 2009 or Part 3, Chapter 6A of CTA 2009, and no such claim has ever been the subject of query by HMRC.
- 2.23.2 The Company has kept and maintained complete and accurate records and other information required for the purposes in respect of any claims made under Part 8A of CTA 2010 (to enable the tax liabilities of the Company to be calculated accurately) and has submitted on a proper basis all elections, revocations, notices, claims, computations and any other required information to HM Revenue & Customs for the purposes of such claims, and no such claim has ever been the subject of query by HMRC.

2.24 Residence

The Company is resident for Tax purposes solely in the jurisdiction in which it is incorporated, and has never had a permanent establishment or liability to Tax in a jurisdiction other than the jurisdiction of incorporation.

2.25 Transaction between persons under common control

- 2.25.1 No transaction or arrangements involving the Company have taken place or are in existence other than on arm's length terms or which are such that:
- (a) any of the provisions of, in the UK, Part 4 of TIOPA have been or could be applied to them; or
 - (b) a direction has been or could be made under paragraphs 1, 1A or 2 of Schedule 6 to the VATA; or
 - (c) any other provisions having equivalent effect might apply (including any provisions or measures under the laws of a foreign jurisdiction or the terms of a relevant double taxation convention).
- 2.25.2 The Company has within its possession a full and accurate suite of documentation to support and justify the intra-group transfer prices, policies and procedures that will meet the requirements of all relevant jurisdictions.

2.26 Controlled foreign companies

The Company does not have, and has not had in the seven year period ending on the date of this Agreement had, an interest in a controlled foreign company as defined in in Part 9A of TIOPA.

Part 3

3. COVENANT BY THE SELLERS

- 3.1 Subject to Paragraph 4, the Seller covenants and undertakes to pay to the Buyer an amount or amounts equal to each of the following:
- 3.1.1 any Actual Tax Liability (not being inheritance tax nor any charges, interest, penalties and fines incidental or relating to inheritance tax falling within Paragraph 3.1.3) of the Company arising as a result of, in respect of, or by reference to:
 - (a) any Event occurring on or before Completion (including, for the avoidance of doubt, anything to be done at, or as at, Completion pursuant to this Agreement); or
 - (b) any income, receipts, profits or chargeable gains (not falling within Paragraph 3.1.1(a)) earned, accrued or received on or before, or in respect of any period ending on or before, Completion;
 - 3.1.2 any Deemed Tax Liability of the Company;
 - 3.1.3 any liability of the Buyer or the Company (or either of them) in respect of inheritance tax which:
 - (a) is at Completion a charge on, or gives rise to a power to sell, mortgage or charge, any of the shares comprising the issued share capital of, or any of the assets of, the Company; or
 - (b) after Completion becomes a charge on, or gives rise to a power to sell, mortgage or charge, any of the shares comprising the issued share capital of, or any of the assets of, the Company, arising as a result of the death of any person within seven years after a transfer of value if a charge on or power to sell, mortgage or charge any such shares or assets would, if the death of that person had occurred immediately before Completion and the inheritance tax which had become payable as a result thereof had not been paid, have existed at Completion; or
 - (c) arises as a result of a transfer of value occurring or being deemed to occur on or before Completion (whether or not in conjunction with the death of any person, whenever occurring),
 - (i) and any charges, interest, penalties and fines incidental or relating to such inheritance tax;
 - 3.1.4 any Tax Liability of the Company to account for income tax and/or national insurance contributions, and any charges, interest, penalties and fines incidental or relating thereto, whether arising before or after Completion, in respect of or in connection with:
 - (a) the grant, exercise, release, surrender, cancellation, exchange or other disposal of an option or other right to acquire securities;
 - (b) any acquisition, holding, variation or disposal of employment-related securities (as defined for the purposes of Part 7 of ITEPA 2003); and/or
 - (c) the exercise after Completion of an option or other right to acquire securities,
 - (d) in each case, where the where acquisition of the security or grant of the option or other right to acquire the security (as the case may be) occurred on or before Completion;

- 3.1.5 any Tax Liability arising as a result of or in connection with any payments under this Agreement which shall include for the avoidance of doubt any payments in the nature of deferred consideration (whether and without limitation satisfied in cash, shares or loan notes) or by way of loan notes or the redemption of loan notes, or the making by the Seller of any payments, whether as a bonus or otherwise, to any person treated as an employee of the Company for Tax purposes;
- 3.1.6 any Tax Liability of the Buyer to account for income tax and/or national insurance contributions, and any charges, interest, penalties and fines incidental or relating thereto, whether arising before or after Completion, in respect of the acquisition of the Sale Shares and/or payment of the Price;
- 3.1.7 any Tax Liability of the Company under Part 7A of ITEPA 2003, whether arising before or after Completion, including any liability arising as a consequence of any payments or loans made to, any assets made available or transferred to, or any assets earmarked (however informally) for the benefit of, any employee or former employee of the Company, or for the benefit of any relevant person, by an employee benefit trust or another third party where the arrangement giving rise to the charge was entered into at a time when the third party was acting on the instructions of, or for the benefit of, the Seller or the Company or an associate of them;
- 3.1.8 any Tax Liability of the Company (not otherwise falling within Paragraph 3.1.1) which is the liability to Tax of any other person (not being the Company) and for which the Company is liable by reason of having been, at any time on or before Completion, related to:
- (a) that other person for the purposes of any Tax;
 - (b) any person which is or has been at any time related to that other person for the purposes of any Tax; or
 - (c) any other person which is or has been at any time related to a person falling within Paragraphs 3.1.8(a) or 3.1.8(b) for the purposes of any Tax;
- 3.1.9 any Tax Liability of the Company arising as a result of or in connection with the Company leaving the group (of which it was a member before Completion) for any Tax purpose;
- 3.1.10 any Tax Liability in respect of a chargeable gain which arises as a result of the disposal at any time of any asset acquired by the Company before Completion, to the extent that such Tax Liability would not have arisen if the expenditure allowable under Section 38(1)(a) of the TCGA 1992 in respect of the asset (ignoring any other Relief) had not been less than the value of the asset stated or recognised in the Completion Balance Sheet;
- 3.1.11 any liability of the Company to make a payment, or to make a repayment of the whole or any part of any payment, to any person (other than a member of the Buyer's Tax Group) in respect of Group Relief pursuant to any arrangement or agreement entered into by the Company on or before Completion save to the extent that such payment or repayment is reflected in the Completion Balance Sheet;
- 3.1.12 the loss in whole or in part of the right of the Company to receive any payment (other than from a member of the Buyer's Tax Group) for Group Relief pursuant to any arrangement or agreement entered into on or before Completion where such payment was taken into account in the Completion Balance Sheet;
- 3.1.13 any liability of the Company to make a payment or repayment under any indemnity, covenant, warranty, mortgage, guarantee or charge entered into or created on or before Completion of a sum equivalent to or by reference to another person's Tax liability;

- 3.1.14 any Tax Liability of the Company arising as a result of or in connection with any revaluation of investment assets on or before Completion;
- 3.1.15 all charges, interest, penalties and fines (not otherwise falling within Paragraphs 3.1.1 to 3.1.8) incurred by or charged against the Company (whether in respect of periods before or after Completion) in respect of:
 - (a) any Tax Liability (whether or not such Tax Liability has been paid or otherwise extinguished) either arising on or before Completion or arising after Completion in the circumstances falling within Paragraphs 3.1.3 or 3.1.8; or
 - (b) any default in relation to Tax incurred or committed on or before Completion; and
- 3.1.16 any costs and expenses incurred by the Buyer and/or the Company in connection with any such liability or amount as is referred to in any of Paragraphs 3.1.1 to 3.1.9, or with any claim in respect thereof or in taking or defending any action under this Schedule.

4. LIMITATIONS

- 4.1 The Seller shall not be liable under the Tax Covenant in respect of any Tax Liability of any person to the extent that:
 - 4.1.1 provision (not being a provision for deferred Tax) has been made for such Tax Liability in the Completion Balance Sheet; or
 - 4.1.2 such Tax Liability was paid or otherwise discharged on or before Completion, and the amount so discharged was reflected in the Completion Balance Sheet; or
 - 4.1.3 such Tax Liability arises or is increased as a result of:
 - (a) the coming into force after Completion of, or any introduction or change after Completion, in each case, not having been previously announced, in, any Law or any published practice of any Tax Authority of general application; or
 - (b) any change after Completion in the rates of Tax,
 - (ii) in each case, with retrospective effect; or
 - 4.1.4 such amount does not exceed an amount for which the Seller are also liable under this Agreement in respect of the same Tax Liability, and such liability has been fully satisfied (with no right of recourse); or
 - 4.1.5 such Tax Liability would not have arisen but for any act, omission or transaction done, made or carried out by the Buyer and/or the Company or any of their respective directors, employees or agents after Completion, where such act, omission or transaction was done, made or carried out otherwise than:
 - (a) as required by law or pursuant to a legally binding commitment of that person created on or before Completion; or
 - (b) in the ordinary course of trading of that person as carried on immediately before Completion; or
 - (c) at the request of, or with the approval of, the Seller;
 - (d) in circumstances where the Buyer could not reasonably have been expected to know that it would or might give rise to the Tax Liability in question;

- (e) is the preparation or submission of any tax return or computation or voluntary disclosure to a Tax Authority; or
 - 4.1.6 the Buyer or that person has received from any other person (other than the Company) a payment in respect of such Tax Liability; or
 - 4.1.7 such Tax Liability would not have arisen but for a change in the accounting reference date or a change in the accounting policies or practices applying to, or in any way affecting, that person, introduced or having effect after Completion, other than a change which is required in order to comply with the accounting principles applying to that person.
- 5. REBATE**
- 5.1 Paragraph 5.2 shall apply where:
- 5.1.1 the Seller has paid any amount due to the Buyer under the Tax Covenant in respect of any Tax Liability of any person (in this Paragraph 5, the **Relevant Payment**); and
 - 5.1.2 on or before the seventh anniversary of Completion, the Buyer and the Company (or either of them) (in this Paragraph 5, the **Relevant Recipient**) receives (whether by way of actual receipt, credit, set-off or otherwise) from any other person (other than the Company) a payment in respect of such Tax Liability (including any related interest received) (in this Paragraph 5, the **Relevant Receipt**).
- 5.2 The Buyer agrees with the Seller that, where this Paragraph 5.2 applies, it shall (provided that, and to the extent that, its entitlement to the Relevant Receipt is not thereby prejudiced) repay, or cause to be repaid, to the Seller (on behalf of the Seller (the Seller's receipt thereof being a satisfactory discharge in respect of the payment by the Buyer under this Paragraph 5.2)) a sum equal to the lesser of:
- 5.2.1 the amount of the Relevant Receipt after deduction therefrom of the aggregate of:
 - (a) the reasonable costs (to the extent that such costs have not been reimbursed pursuant to the indemnity given in Paragraph 5.3) incurred by the Buyer and the Relevant Recipient (or either of them) in obtaining it; and
 - (b) any Actual Tax Liability of the Relevant Recipient in respect of the Relevant Receipt; and
 - 5.2.2 the amount of the Relevant Payment (except so much of the Relevant Payment as represents an amount payable by virtue of Paragraph 8.3).
- 5.3 If the Buyer shall become aware of its actual or potential entitlement or the actual or potential entitlement of the Company to any Relevant Receipt, the Buyer shall:
- 5.3.1 give or cause to be given written notice thereof in accordance with Clause 14 to the Seller as soon as reasonably practicable after becoming so aware; and
 - 5.3.2 if so requested by the Seller, and subject to the Buyer and the Company being indemnified to the reasonable satisfaction of the Buyer against all costs and expenses which may be thereby incurred, take or cause to be taken such appropriate and reasonable steps to secure receipt of the payment in question.
- 5.4 Neither the Buyer nor the Company shall be obliged to take or procure the taking of any action under paragraph 5.3.2:
- 5.4.1 it involves raising or prosecuting legal proceedings unless they have been advised in writing by leading counsel instructed by agreement between the Buyer and the Seller

at the Sellers' expense that such legal proceedings is a reasonable course of action and will, on the balance of probabilities be successful; or

- 5.4.2 in the opinion of the Buyer it is likely to increase the liability to Tax of any company in the group of companies of which the Buyer is for the time being a member or would be unduly onerous or materially prejudicial to the Buyer or the Company or their respective business; or
- 5.4.3 the underlying Tax Liability derives from or arises out of or is in connection with any dishonest or fraudulent act or omission or wilful default by or of the Seller (or any of them) at any time or by or of the Company prior to Completion or if the Buyer has reasonable grounds to so believe;
- 5.4.4 should the Seller:
 - (a) become insolvent and any corporate action, or other steps are taken or legal proceedings are started for its winding up, dissolution or administration or for the appointment of a receiver, administrator, trustee or similar officer to its or any of its assets; or
 - (b) be unable to pay its debts as they fall due, starts negotiations with a creditor with a view to the general readjustment or rescheduling of its indebtedness or makes a general assignment for the benefit of, or a composition with, its creditors; or
- 5.4.5 if it requires the Company to take any action against any person who is at the time in question either an employee or director of any member of the Buyer's Tax Group, or any company that is at the time in question a member of the Buyer's Tax Group.

6. CONDUCT OF CLAIMS FOR TAX

- 6.1 If the Buyer and the Company (or either of them) shall become aware of any Claim for Tax which might give rise to a claim under this Schedule, the Buyer shall, but not as a condition precedent to the liability of the Seller hereunder, give or cause to be given to the Seller written notice thereof in accordance with Clause 14 as soon as reasonably practicable (and, in any event, in the case of a Claim for Tax which requires an appeal to be made against it or other action to be taken within a specified period of time in excess of 20 Business Days, not later than five Business Days prior to the expiry of that time period).
- 6.2 As regards any such Claim for Tax, the Buyer shall, subject to Paragraphs 6.3 to 6.5, take or cause to be taken such action (but not including allowing the Seller or any person nominated by it to undertake the conduct of such Claim for Tax, nor of any proceedings of whatsoever nature arising in connection with it, in their own name) as the Seller may, by written notice given to the Buyer, reasonably request to:
 - 6.2.1 cause that Claim for Tax to be withdrawn;
 - 6.2.2 dispute, resist, appeal against, compromise or defend that Claim for Tax, and any determination in respect thereof; and/or
 - 6.2.3 apply to postpone (so far as legally possible) the payment of any Tax pending the determination of any appeal.
- 6.3 The Buyer shall not be required to take any action requested by the Seller in relation to any Claim for Tax unless and until the following have taken place:
 - 6.3.1 the Buyer and the Company have been indemnified and secured to the reasonable satisfaction of the Buyer against all losses (including any additional Actual Tax Liability of that person), interest, costs, damages and expenses which may be thereby suffered or incurred by the Buyer and the Company (but excluding any costs or expenses which are not reasonably incurred); and

- 6.3.2 the Seller have acknowledged their liability under the Tax Covenant in respect of such Claim for Tax.
- 6.4 This Paragraph 6.4 shall apply where, in accordance with Paragraph 6.2, the Seller shall request the Buyer to take action in relation to any Claim for Tax:
- 6.4.1 any request shall be made by written notice in accordance with Clause 14 within a reasonable time (and in any event within fifteen Business Days) of receipt by the Seller of any notice given to the Seller in accordance with Paragraph 6.1 (and, in any event, in the case of a Claim for Tax which requires an appeal to be made or other action to be taken within a specified period of time, not later than five Business Days prior to the expiry of such specified period);
- 6.4.2 where the Seller do not make such a request within such period referred to in Paragraph 6.4.1, the Company shall (without prejudice to the rights of the Buyer to make a claim against the Seller under the Tax Covenant in respect of the Claim for Tax) be free to take such action as it considers reasonable in the circumstances to settle the relevant liability to which the Claim for Tax relates;
- 6.4.3 the Buyer and the Company shall not be obliged to comply with any request which involves contesting any assessment to Tax before any court or other appellate body (including any tribunal) unless the Buyer and the Company have been advised in writing, at the expense of the Seller, by leading tax counsel instructed by agreement between the Buyer and the Seller or, failing such agreement, in accordance with the procedure set out in Paragraph 6.6, that an appeal against such assessment would, on the balance of probabilities, be won by the Buyer or, as the case may be, the Company;
- 6.4.4 the Buyer and the Company shall not be obliged to take any action which is likely to:
- (a) increase the liability to Tax of the Buyer and the Company (or either of them) for any periods ending after Completion; or
 - (b) have a material adverse effect on the business or financial reputation, interest or goodwill of any company in the group of companies of which the Buyer or the Company is (at the time such action would be taken) a member; and
- 6.4.5 the rights of the Seller under Paragraph 6.2 shall cease if legal proceedings are commenced with a view to (in the case of an individual) any of their bankruptcy and (in the case of any other person) any of their winding-up, dissolution or administration, or for the appointment of a receiver, administrator, trustee or similar officer in respect of it or of any of its assets (otherwise than for the purpose of its voluntary reconstruction or amalgamation).
- 6.5 The Buyer shall not be obliged to take any action under Paragraph 6.2 in respect of any Claim for Tax (and, accordingly, where that is the case the Buyer shall have sole conduct of such Claim for Tax) if with the Seller or the Company has committed acts or omissions which constitute or are alleged by any Tax Authority to constitute fraud or deliberate understatement.
- 6.6 If the Seller and the Buyer shall not have agreed upon leading tax counsel within 14 days, such matter shall thereupon be referred to such leading counsel as the President for the time being of the Law Society of England and Wales shall (at the request of either the Buyer or the Seller) nominate.
- 7. WITHHOLDINGS AND GROSS-UP**
- 7.1 All sums due under this Agreement from the Seller to the Buyer shall be paid free and clear of all deductions or withholdings whatsoever save only as may be required by Law other than where such a reduction or withholding arises as a result of an assignment of the benefit of this Agreement by the Buyer.

- 7.2 If, at any time, any Law requires the Seller to make any deduction or withholding from any sums due to the Buyer under this Agreement, the amount so due shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the Buyer receives, on the due date for such payment, a net sum equal to the sum which it would have received had no such deduction or withholding been required to be made.
- 7.3 If the Seller are required by Law to make any deduction or withholding as referred to in Paragraph 7.2, the Seller shall:
- 7.3.1 make such deduction or withholding; and
- 7.3.2 pay to the relevant Tax Authority the full amount deducted or withheld in accordance with Law.
- 7.4 If any amount paid or due to the Buyer under this Agreement gives rise to an Actual Tax Liability, or would (but for the availability of any Relief) give rise to an Actual Tax Liability, in the hands of the Buyer or the Company, then the amount so paid or due (in this Paragraph 7.4, the **net amount**) shall be increased to an amount (in this Paragraph 7.4, the **grossed-up payment**) which (after subtraction of the amount of any Actual Tax Liability which arises, or would, but for the availability of any Relief, arise in the hands of the Buyer in respect of the grossed-up payment) shall ensure that the net amount in the hands of the Buyer or the Company (after Tax) is the same as it would have been were the payment to Tax, provided that if any amount is initially paid on the basis that the amount due is not taxable in the hands of the Buyer or vice versa and it is subsequently determined that it is or it is not, such additional amounts shall be paid to or by the Buyer as shall place the Buyer in the same after-tax position as it would have been in if the amount due had not been taxable in the hands of the Buyer.

8. PAYMENT

- 8.1 Where any amount is required to be paid by any person to the Buyer under this Schedule in respect of any Actual Tax Liability or any Tax Liability falling within Paragraph 3.1.15, that person shall pay such amount in cleared, immediately available funds on or before the date falling two Business Days before the last date on which the Tax in question is due for payment to the relevant Tax Authority without incurring any penalty, fine or interest or, if later, five Business Days following the date on which the Buyer notifies that person of its liability to make payment and the amount of that payment.
- 8.2 Where any other amount is required to be paid by any person to the Buyer under the Tax Covenant, that person shall pay such amount in cleared, immediately available funds on or before the date falling:
- 8.2.1 in the case of a Deemed Tax Liability falling within any of the circumstances in Paragraphs 1.2.2, 1.2.3 and 1.2.4, two Business Days before the date upon which the Tax in question would (but for such circumstances) have been due for payment to the relevant Tax Authority without incurring a penalty, fine or interest;
- 8.2.2 in the case of the unavailability of a right to repayment of Tax falling within Paragraph 1.2.1, two Business Days before the date upon which the repayment of Tax would have been made but for that repayment of Tax being unavailable;
- 8.2.3 in the case of the unavailability of any other Buyer's Relief, two Business Days before the date upon which the Company is or becomes liable to make a payment of Tax which, but for that Buyer's Relief being unavailable, it would not have had to make (on the assumption that the Company makes that payment of Tax on the last date on which it could be paid without incurring a penalty, fine or interest);
- 8.2.4 in the case of a Tax Liability falling within Paragraph 3.1.4, two Business Days before the date upon which the payment or repayment is due to be made by the Company; or

- 8.2.5 in the case of a Tax Liability falling within Paragraph 3.1.16, two Business Days before the date upon which the costs or expenses are due to be paid by the Buyer or the Company,

and, if later, or in any other case, five Business Days after the date on which the Buyer notifies that person of its liability to make a payment and the amount of that payment.

- 8.3 Sums not paid on the dates specified in Paragraphs 8.1 and 8.2 shall bear interest (which shall accrue from day to day after, as well as before, judgement) at the Default Rate for the period from the date following that specified date up to and including the day of actual payment of such sums (or the next Business Day if the day of actual payment is not a Business Day) compounded quarterly, provided that interest shall not be payable under this Paragraph 8.3 in respect of any period or part thereof to the extent that the amount of the Tax Liability in question already takes account of interest for the same period or part thereof.

9. GENERAL

All payments made by the Seller to the Buyer or by the Buyer to the Seller in accordance with this Schedule will be treated, to the extent possible, as an adjustment to the Price for the Sale Shares.

10. OVERPROVISIONS

- 10.1 If, on or before the eighth anniversary of Completion the accountants for the time being of the Company certify (at the request and expense of the Seller) or it is otherwise agreed that any provision for Tax in the Completion Statements has proved to be an Overprovision, then:
- 10.1.1 the amount of any Overprovision shall first be set off against any payment then due from the Seller under this Schedule;
 - 10.1.2 to the extent that there is an excess, a refund shall be made to the Seller of any previous payment or payments made by the Seller under this Schedule (and not previously refunded under this Schedule) up to the amount of such excess; and
 - 10.1.3 to the extent that such excess as referred to in paragraph 10.1 is not exhausted, the remainder of that excess shall be carried forward and set off against any future payment or payments which become due from the Seller under this Schedule.
- 10.2 After the Company's accountants have produced an certificate under this paragraph 10, the Seller or the Buyer may, at any time before the seventh anniversary of Completion, request the accountants for the time being of the Company (as the case may be) to review (at the expense of the Seller) that certificate in light of all relevant circumstances, including any facts of which they were not or it was not aware, and which were not taken into account, at the time when such certificate was produced, and to certify whether, in their opinion, the certificate remains correct or whether, in light of those circumstances, it should be amended.
- 10.3 If the accountants make an amendment to the earlier certificate and the amount of the Overprovision is revised, that revised amount shall be substituted for the previous amount and any adjusting payment that is required shall be made by or to the Seller (as the case may be) as soon as reasonably practicable.
- 10.4 If the Buyer becomes aware that there are or may be such overprovisions, it shall (or shall procure that the company shall) as soon as and to the extent reasonably practicable inform the Seller of the fact and the amount in question.
- 10.5 In determining whether there has been an Overprovision, the accountants will act as experts and not as arbitrators and their determination will (in the absence of manifest error) be conclusive and binding on the parties.

11. STAMP DUTY – LIQUIDATED DAMAGES CLAUSES

The Seller hereby warrants to the Buyer that all documents forming part of the title to any asset of the Company or which the Company may wish to enforce or produce in evidence are duly stamped and have where appropriate have been adjudicated. The Seller hereby agrees that in the event of a breach of this warranty they shall forthwith upon demand by the Buyer pay to the Buyer by way of liquidated damages an amount equal to any unpaid stamp duty and any interest or penalties payable in respect thereof.

12. BUYER'S COVENANT

- 12.1 The Buyer hereby covenants with the Seller to pay to the Seller an amount equal to any Tax for which the Seller are liable as a result of the non-payment by the Company after Completion of any Tax which is a primary liability of the Company together with any reasonable third party costs and expenses properly incurred by the Seller in connection with taking any successful action under this paragraph save that this paragraph shall not apply:

- 12.1.1 in respect of any Tax for which the Seller is liable (whether or not the Buyer has claimed or could validly claim against the Seller under this Schedule) to make (but has not yet made) payment to the Buyer under this Schedule;
- 12.1.2 an amount in respect of Tax has been recovered by the Seller or any member of the corporate group of which they are a member under any relevant statutory provision (and the Seller shall procure that no such recovery is sought to the extent that payment is made hereunder);.

- 12.2 A payment to be made by the Buyer under this Schedule shall be made on the date which is the later of five Business Days after written demand for such payment and five Business Days prior to the due date for payment of any liability to the Seller referred to in clause 13.1.

13. PREPARATION OF TAX RETURNS

- 13.1 The Seller shall give all such assistance, supply or procure to be supplied all such information, and facilitate access to such accounting and other records as the Buyer may reasonably request for the purpose of enabling the Buyer and the Company to make enquiries of and returns to Tax Authorities and to negotiate any liability the Company may have to Taxation.
- 13.2 The Buyer or their duly authorised agents shall, at the expense of the Company, prepare the Tax returns and computations for the Company for all outstanding accounting periods ended on or prior to Completion which have not already been submitted to a Tax Authority (the "Outstanding Returns"), and for the accounting period starting before Completion and ending after Completion (the "Straddle Period Return").
- 13.3 The Buyer will procure that the Company shall sign and submit the Outstanding returns and the Straddle Period Return to the relevant Tax Authorities within the applicable time limits.
- 13.4 Prior to submission of the returns to the relevant Tax Authorities, the Buyer shall procure that the Seller is given a reasonable period (being at least 10 Business Days) to comment on the Outstanding returns and to comment on the Straddle Period Return to the extent it relates to any Event on or before Completion, and shall take any reasonable comments received into account before such returns are submitted.

**SCHEDULE 9
SELLER'S PROTECTION**

1. OPERATION OF SCHEDULE AND ESCROW AMOUNT

- 1.1 The Escrow Amount will be funded by Buyer within ten (10) Business Days of the Completion Date and the Buyer still provides such evidence of the funding as the Sellers may reasonably require.
- 1.2 The provisions in this Schedule operate so as to limit the liability of the Seller in respect of any Warranty Claims and/or Tax Covenant Claims, to the extent stated in this Schedule.
- 1.3 Any payments due to Buyer for the settlement of a Warranty Claim, Tax Claim or Liability related to a breach of this agreement by Seller shall be first paid from the Escrow Amount, until such Escrow Amount is reduced to zero pounds.

2. TIME LIMITS

- 2.1 The Buyer may not make any Warranty Claim or Tax Covenant Claim against the Seller unless written notice of the Warranty Claim or Tax Covenant Claim has been given to that Seller, or the Seller on that Seller's behalf (stating in reasonable detail, to the extent known, the nature of the breach of Warranty to which the Warranty Claim relates or the nature of the Tax Covenant Claim (as appropriate) and, so far as it is reasonably practicable, the amount claimed):
 - 2.1.1 in respect of:
 - (a) any Tax Claim; or
 - (b) any Title and Capacity Warranty Claim;on or before the seventh anniversary of the Completion Date; and
 - 2.1.2 in respect of any General Warranty Claim which is not listed in sub-paragraphs (a) or (b) of Paragraph 2.1.1, on or before the day that is 12 calendar months after the Completion Date.
- 2.2 The Seller shall have no liability in respect of a Warranty Claim if and to the extent that such Warranty Claim is based upon a contingent liability unless and until such liability becomes an actual liability provided that this Paragraph 2.2 will not operate to prevent the Buyer making a Warranty Claim in respect of a contingent liability if notice of such Warranty Claim is given to the relevant Seller by or on behalf of the Buyer within the time limits in Paragraph 2.1 in circumstances where the liability does not become an actual liability until after the expiry of the relevant time limit.

3. THRESHOLDS

- 3.1 The Seller will not have any liability for any General Warranty Claim:
 - 3.1.1 unless the amount of each such General Warranty Claim (when aggregated with other Warranty Claims based on substantially the same matter, facts, events or circumstance) exceeds £10,000; and
 - 3.1.2 unless and until the aggregate amount of such General Warranty Claims, when aggregated with the amount of any other Warranty Claim or Tax Claim made against the Seller (or any of them), exceeds £100,000

and in either case the Seller will be liable for the whole amount claimed and not just the excess over the relevant amount and in the event the aggregate amount of claims exceeds the

threshold specified in Paragraph 3.1.2, the threshold specified in Paragraph 3.1.1 of this Schedule 9 shall cease to apply to any General Warranty Claim and the Seller shall be liable for all General Warranty Claims irrespective of their amount.

- 3.2 The total liability of the Seller for all General Warranty Claims and Title and Capacity Warranty Claims and Tax Claims will not in any circumstances exceed the Price (assuming no reduction to the Escrow Amount).

4. DISCLOSURE

- 4.1 The General Warranties and the Tax Warranties shall only be qualified by matters to the extent Disclosed.
- 4.2 Neither the contents of the Disclosure Letter nor the Disclosure Documents shall qualify the Title and Capacity Warranties nor have any relevance in relation to any Tax Covenant Claim or Title and Capacity Warranty Claim.

5. FRAUD ETC.

This Schedule does not apply to a Warranty Claim or Tax Covenant Claim which results wholly or partly from the fraud, dishonesty, wilful misconduct or wilful concealment by any Seller or their agents or advisers.

6. ALLOWANCES AGAINST CLAIMS

If a Group Company or the Buyer recovers any sum from any third party for any loss, damage or liability giving rise to a Warranty Claim:

- 6.1.1 that sum, less all costs and expenses reasonably incurred by the Buyer or the Group Company in recovering it, will (save to the extent already taken into account in computing the amount of such claim) be set-off against the Seller's liability for that Warranty Claim; and
- 6.1.2 if sums previously paid by the Seller or any of them for that Warranty Claim exceed the net amount of the loss, damage or liability to which the Warranty Claim relates and which remains after the set-off, the Buyer will pay the amount of any such excess (after deducting its costs and expenses incurred in bringing a claim against both the third party and the Seller for the matter constituting that Warranty Claim) to the Seller, or relevant Seller as the case may be, as soon as reasonably practicable.

7. MITIGATION

Nothing in this Agreement affects the duty at law of the Buyer or a Group Company to mitigate its loss, provided that no duty to mitigate will arise in respect of a claim under the Tax Covenant or for a claim in respect of Liabilities for which the Seller (or any one or more of them) have agreed to compensate the Buyer on an indemnity basis.

8. NO DOUBLE RECOVERY

The Buyer shall not be entitled to recover damages or otherwise obtain payment, reimbursement or restitution more than once under this Agreement in respect of the same loss or liability.

9. CHANGE IN LAW

The Seller will have no liability in respect of any Claim if it arises or (to the extent of any increase) it is increased as a result of the passing of, or a change in, any law, rule, regulation, interpretation of the law or administrative practice of any Authority after Completion.

10. RECOVERY FROM THIRD PARTIES AND THIRD PARTY CLAIMS

- 10.1 Any sum recovered by the Buyer or the Company from a third party (including without limitation any insurer pursuant to **paragraph 10**) in respect of any matter or event which has given or could give rise to a Claim will reduce the amount of such Claim after deduction of any taxation and all reasonable costs and expenses of recovery, and any associated premium increase.
- 10.2 If the Seller pays the Buyer or the Company a sum to settle or discharge a Claim and within 12 months of making the payment the Buyer or the Company subsequently recovers a sum which is directly referable to the Claim then:
- 10.2.1 if the loss or damage incurred by the Buyer in respect of such Claim has been fully compensated or made good by the Seller either the Buyer will (or will procure that the Company will) repay the Seller the amount recovered from the third party less any taxation on and reasonable costs and expenses incurred in recovering such amount and any associated insurance premium increases; or
- 10.2.2 if the figure resulting under **paragraph 10.2.1** is greater than the amount paid by the Seller to settle or discharge the Claim, then the Buyer is only obliged to repay to the Seller such amount as is equivalent to the sum paid by the Seller in settlement or discharge of such Claim.
- 10.3 In the event that the Buyer shall be aware or become aware of any fact matters or event which the Buyer believes may constitute or give rise to a Claim (other than a claim to which Schedule 8 applies, in relation to which the provisions of that Schedule shall apply) the Buyer shall:
- 10.3.1 not make any admission of liability, agreement or compromise with any person, body or authority in relation to the potential claim without prior consultation with the Seller save where, in the reasonable opinion of the Buyer, such consultation may compromise the commercial interests of the Buyer;
- 10.3.2 at its discretion upon request in writing from the Seller disclose to them all reasonable information and documents relating to the Claims (including in respect of the Buyer's ability to recover or claim or obtain any credit, relief, benefit or accrual in respect of any damage, liability, fact, matter or circumstance which is the subject of the Claim) or the matters which have or may give rise to such Claim and, if requested by the Seller's cost give the Seller and its professional advisers reasonable access on reasonable notice and at reasonable times during normal business hours to the personnel of the Buyer and/or the Group as the case may be and to any relevant premises, chattels, accounts, documents and records within the power, possession or control of the Buyer and/or the Group to enable the Seller and their professional advisers during normal business hours to interview such personnel, and to examine such claim, premises, chattels, accounts, documents and records and to take copies or photographs thereof at the Seller's own expense save where the Buyer would be entitled to withhold any documents or records from disclosure to the Seller during the course of legal proceedings were the Buyer to make a Claim against the Seller.
- 10.4 The Buyer shall take or procure that the Company takes such action as the Seller may reasonably request to avoid dispute resist compromise defend pursue or prosecute any claim or mitigate any event or fact or prevent the occurrence of any fact matter or circumstance which has or the Buyer believes will give rise to any Claim or affect the amount of any such Claim (other than a claim to which Schedule 8 applies) provided that:
- 10.4.1 the Seller shall not be entitled to require the Company to delegate the conduct of such action to them or to any agent or professional adviser of the Seller Representative or the Seller;
- 10.4.2 the Seller shall first indemnify and secure the Company and the Buyer to the satisfaction of the Buyer against all sums for which the Seller is or may be liable

pursuant to the Claim and for any costs, expenses and liabilities which may be incurred as a consequence of any action taken in accordance with this clause; and

10.4.3 the Buyer shall not be obliged to take any such action as may, in the opinion of the Buyer acting reasonably, compromise the commercial interests of the Buyer.

10.5 If the Seller does not request the Buyer or the Company to take action pursuant to clause 10.3 or the Seller fail to indemnify and secure the Buyer or the Company concerned as provided to the Buyer or the Company shall be free to pay or settle the Claim on such terms as they may in their discretion think fit.

11. CONTINGENT LIABILITIES

If any potential Claim arises as a result of a contingent or unquantifiable liability of the Company, the Seller will not be obliged to pay any sum in respect of the potential Claim until the liability either ceases to be contingent or becomes quantifiable.

12. PROVISIONS IN FINANCIAL STATEMENTS, ETC.

In calculating the liability of the Seller in respect of any Claim, the liability of the Seller will be reduced by the amount of any specific provision in the Completion Statement relating to the matter giving rise to the Claim.

13. MISCELLANEOUS

13.1 The Buyer agrees that it shall have no rights or remedies in respect of any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this agreement.

13.2 The Buyer agrees that rescission shall not be available as a remedy for any breach of this agreement and the Buyer shall not be entitled to rescind or terminate this agreement.

Executed as a deed by **LONGWORTH LIMITED**
acting by ~~[insert name of director]~~, a director in the
presence of: **KEVIN RAE**


.....
Director

Signature (Witness)

Print Name

Address


R.B. Lovejoy
*** * ***

Occupation

MANAGER

Executed as a deed by **Lakeland Global Safety,
Ltd** acting by Charles D. Roberson , a director in
the presence of:

.....
Charles D. Roberson, Director

Signature (Witness)

Print Name

Address

Occupation

Executed as a deed by **LONGWORTH LIMITED**
acting by [insert name of director], a director in the
presence of:

.....
Director

Signature (Witness)

Print Name

Address

Occupation

Executed as a deed by **Lakeland Global Safety,
Ltd** acting by Charles D. Roberson , a director in
the presence of:


.....
Charles D. Roberson, Director

Signature (Witness)



Print Name

Joshua J. Sletten

Address

1525 Perimeter Pkwy.
Huntsville, AL, USA 35806

Occupation

V.P. of Corporate Development

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

The following description of our securities is intended as a summary only. This description is based on our restated certificate of incorporation, as amended (the "Certificate of Incorporation"), our amended and restated bylaws (the "Bylaws"), and applicable provisions of the Delaware General Corporation Law (the "DGCL"). This summary is not complete and is qualified in its entirety by reference to the Certificate of Incorporation and the Bylaws, each of which is filed as an exhibit to this Annual Report on Form 10-K. We encourage you to read the Certificate of Incorporation, the Bylaws and the applicable provisions of the DGCL for additional information.

As used herein, the terms "we," "our" and "us" refer to Lakeland Industries, Inc.

General

Our authorized capital stock consists of 20,000,000 shares of common stock, par value \$0.01 per share, and 1,500,000 shares of preferred stock, par value \$0.01 per share.

Common Stock

The holders of our common stock (i) have equal ratable rights to dividends from funds legally available therefor, when and if declared by our Board of Directors; (ii) are entitled to share in all of our assets available for distribution to holders of common stock upon liquidation, dissolution or winding up of our affairs; (iii) do not have preemptive, subscription or conversion rights and there are no redemption or sinking fund provisions or rights; and (iv) are entitled to one non-cumulative vote per share on all matters on which stockholders may vote.

Holders of shares of our common stock do not have cumulative voting rights. The election of our Board of Directors is decided by a plurality of the votes cast at a meeting of our stockholders by the holders of stock entitled to vote in the election.

Payment of future dividends, if any, will be at the discretion of our Board after taking into account various factors, including our financial condition, operating results, and current and anticipated cash needs. In addition, our ability to pay dividends is subject to certain contractual restrictions imposed by our current senior financing facility.

All of our common stock outstanding is fully paid and nonassessable. No common stock is subject to call.

Indemnification of Officers and Directors

The Certificate of Incorporation and Bylaws contain provisions for the indemnification of our directors and officers, among others, to the fullest extent permitted by the DGCL. These provisions may have the practical effect in certain cases of eliminating the ability of stockholders to collect monetary damages from indemnified individuals.

Provisions of the Certificate of Incorporation, the Bylaws and the DGCL That May Have Anti-Takeover Effects

Provisions of Delaware Law. We are a Delaware corporation. Section 203 of the DGCL applies to us. It is an anti-takeover statute that is designed to protect stockholders against coercive, unfair or inadequate tender offers and other abusive tactics and to encourage any person contemplating a business combination with us to negotiate with our board of directors for the fair and equitable treatment of all stockholders.

Under Section 203 of the DGCL, a Delaware corporation shall not engage in a "business combination" with an "interested stockholder" for a period of three years following the date that the stockholder became an interested stockholder. "Business combination" includes a merger, consolidation, asset sale or other transaction resulting in a financial benefit to the interested stockholder. "Interested stockholder" is, subject to certain exceptions, any person (other than the corporation and any direct or indirect majority-owned subsidiary) who, together with affiliates and associates, owns, or within three years did own, 15% or more of the corporation's outstanding voting stock. This prohibition does not apply if:

- prior to the time that the stockholder became an interested stockholder, the board of directors of the corporation approved either the business combination or the transaction resulting in the stockholder's becoming an interested stockholder;
- upon completion of the transaction resulting in the stockholder's becoming an interested stockholder, the stockholder owns at least 85% of the outstanding voting stock of the corporation, excluding voting stock owned by directors who are also officers and by certain employee stock plans; or
- at or subsequent to the time that the stockholder became an interested stockholder, the business combination is approved by the board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock that the interested stockholder does not own.

A Delaware corporation may elect not to be governed by these restrictions. We have not opted out of Section 203.

Classified Board of Directors; Removal of Directors for Cause. Our Certificate of Incorporation and Bylaws provide for our board of directors to be divided into three classes, as nearly equal in number as possible, serving staggered terms. Approximately one-third of our board will be elected each year. At each annual meeting of stockholders, directors elected to succeed those directors whose terms expire will be elected for a three-year term of office. All directors elected to our classified board of directors will serve until the election and

qualification of their respective successors or their earlier resignation or removal. Subject to the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances, the board of directors is authorized to fix the number of directors. The board of directors (or the remaining directors then in office, even if less than a quorum, or the sole remaining director) is also empowered to fill vacancies on the board of directors occurring for any reason for the remainder of the term of the class of directors in which the vacancy occurred. Subject to the rights of the holders of any series of Preferred Stock with respect to such series of Preferred Stock, members of the board of directors may only be removed for cause by either the affirmative vote of a majority of our outstanding voting stock, voting together as a single class. These provisions are likely to increase the time required for stockholders to change the composition of the board of directors. For example, in general, at least two annual meetings will be necessary for stockholders to effect a change in a majority of the members of the board of directors. The provision for a classified board could prevent a party who acquires control of a majority of our outstanding common stock from obtaining control of our board of directors until our second annual stockholders meeting following the date the acquirer obtains the controlling stock interest. The classified board provision could have the effect of discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us and could increase the likelihood that incumbent directors will retain their positions.

Advance Notice Procedures. Our Bylaws establish an advance notice procedure for stockholder nominations of persons for election to our board of directors. Stockholders at an annual meeting will only be able to consider nominations specified in the notice of meeting or brought before the meeting by or at the direction of our board of directors or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given our corporate secretary timely written notice, in proper form, of the stockholder's intention to bring that business before the meeting. Although our Bylaws do not give the board of directors the power to approve or disapprove stockholder nominations of candidates or proposals regarding other business to be conducted at a special or annual meeting, the Bylaws may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of the Company.

Super-Majority Stockholder Vote Required for Certain Actions. The Delaware General Corporation Law provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless the corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage. Our Certificate of Incorporation requires the affirmative vote of the holders of at least 66-2/3% of our outstanding voting stock to amend or repeal certain provisions of our Certificate of Incorporation. This "super-majority" stockholder vote would be in addition to any separate class vote that might be required pursuant to the terms of any preferred stock that might then be outstanding. In addition, our Bylaws may be amended by the directors then in office.

Effects of Authorized but Unissued Shares. We have shares of common stock and "blank check" preferred stock available for future issuance and may designate and issue preferred stock without stockholder approval, subject to the limitations imposed by the listing standards of The NASDAQ Global Market or any securities market or exchange our securities may be listed or traded on. Nasdaq Marketplace Rule 5635(d) requires that an issuer obtain stockholder approval prior to certain issuances of common stock or securities convertible into or exchangeable for common stock at a price less than the greater of market price or book value of such securities (on an as exercised basis) if such issuance equals 20% or more of the common stock or voting power of the issuer outstanding before the transaction. We do not currently intend to engage in any transactions which would require stockholder approval pursuant to Nasdaq Marketplace Rule 5635(d).

These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock and "blank check" preferred stock could render more difficult or discourage an attempt to obtain control of a majority of our common stock by means of a proxy contest, tender offer, merger or otherwise.

Exchange Listing

Our common stock is listed on the NASDAQ Global Market under the symbol "LAKE."

Exhibit 10.31 Employment Agreement, dated September 1, 2022, by and between Lakeland Industries, Inc. and Hui An

[LAKELAND INDUSTRIES, INC.]

September 1, 2022

Ms. Hui An (Helena An)

Dear Ms. An:

The purpose of this letter is to confirm your employment with Lakeland Industries, Inc. on the following terms and conditions:

1. THE PARTIES

This is an Agreement, effective as of September 1, 2022 (the "Effective Date"), between Hui An (Helena An), (hereinafter referred to as "you"), and Lakeland Industries, Inc., a Delaware corporation, with a principal place of business located at 1525 Perimeter Parkway, Suite 325, Huntsville, Alabama 35806 (hereinafter the "Company").

2. TERM

The initial term of this Agreement shall be 12-months, beginning on the Effective Date and ending on September __, 2023 (the "Initial Term"). However, on the day the Term would otherwise expire, the Agreement's duration shall automatically extend for a subsequent 12-month period, unless either party provides written notice of termination at least 90 days before the expiration of the Term (for purposes of this Agreement, "Term" refers to the Initial Term and/or any successive 12-month extension).

3. CAPACITY

You shall be employed in the capacity of Vice President, Asia Manufacturing and Global Procurement, of Lakeland Industries, Inc. ("Your Position") with such responsibilities and duties as may be assigned to you from time to time by the Company. You acknowledge and agree that these responsibilities and duties, together with the proprietary information to which you will have access in this role, makes you uniquely essential to the Company's management, organization, or services.

You agree to devote your full time and attention and best efforts to the faithful and diligent performance of your duties to the Company and shall serve and further the best interests and enhance the reputation of the Company to the best of your ability.

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4. COMPENSATION

As full compensation for your services, you shall receive the following from the Company:

- (a) A base annual salary of \$250,000 payable bi-weekly (the "Base Salary"); and
- (b) Participation in any of the Company's pension plans, profit sharing plans, medical and disability plans and 401(k) plans when any such plans are or become effective; and
- (c) Such benefits as are provided from time to time by the Company to its officers and employees; and
- (d) Reimbursement for any dues and expenses incurred by you that are necessary and proper in the conduct of the Company's business; and
- (e) Participation, as determined in the discretion of the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee"), in the Company's 2017 Equity Incentive Plan and any other restrictive stock, stock appreciation rights, stock option or other equity plans of the Company as may become effective; in this connection, it is intended that you will receive a grant of restricted stock, pursuant to the Company's LTIP program, at the time of next grant; and
- (f) An bonus targeted at 40% of Base Salary, based upon such parameters, as determined by the Compensation Committee (an "Annual Bonus").

5. NON-COMPETITION/SOLICITATION/CONFIDENTIALITY

During your employment with the Company and for one year thereafter, you shall not, either directly or indirectly, as an agent, employee, partner, stockholder, director, investor or otherwise, engage in a business that carries on a like business to the business conducted by the Company, in the market areas in which the Company generates sales. You shall also abide by the Code of Ethics and other corporate governance rules of the Company. You shall disclose prior to the execution of this Agreement (or later on as the case may be) all business relationships you presently have or contemplate entering into or enter into in the future that might affect your responsibilities or loyalties to the Company.

During your employment with the Company and for one year thereafter, you shall not, directly or indirectly, hire, offer to hire or otherwise solicit the employment or services of, any employee of the Company on behalf of yourself or any other person, firm or entity.

Except as may be required to perform your duties on behalf of the Company, you agree that during your employment with the Company and for a period of one year thereafter, you shall not, directly or indirectly, solicit, service, or accept business from any customers of the Company, on your own behalf or on behalf of any other person, firm or entity that carries on a like business to the business conducted by the Company.

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Except as required in your duties to the Company, you shall not at any time during or after your employment, directly or indirectly, use or disclose any confidential or proprietary information relating to the Company or its business or customers which is disclosed to you or known by you as a consequence of or through your employment

by the Company and which is not otherwise generally obtainable by the public at large. Confidential or proprietary information includes, but is not limited to, commercial relationships or contacts with specific or existing vendors, contractors, suppliers or clients; pricing information and methodology; compensation; customer lists; customer data and information; mailing lists and prospective customer information; financial and investment information; management and marketing plans; business strategy, technique and methodology; business models and data; processes and procedures; and Company provided files, software, code, reports, documents, manuals and forms used in the business which are treated as confidential to the business entity, in whatever medium provided or preserved, such as in writing or stored electronically.

In the event that any of the provisions in this **Section 5** shall ever be adjudicated to exceed limitations permitted by applicable law, you agree that such provisions shall be modified and enforced to the maximum extent permitted under applicable law.

You understand and agree that the Company may not be adequately compensated by damages for a breach by you of any of the covenants and agreement contained in this **Section 5**, and that the Company shall, in addition to all other remedies, be entitled to injunctive relief and specific performance. You hereby affirmatively waive the requirement that the Company post any bond.

Nothing herein contained will be construed as prohibiting the Company from pursuing any other remedies available to it for such breach or threatened breach, including the recovery of money damages, and if the Company prevails, it shall also be entitled to the payment of any and all reasonable fees, disbursements, and other charges of the attorneys and collection agents, court costs, and all others costs of enforcement. Likewise, if you prevail, you shall also be entitled to the payment of any and all reasonable fees disbursements and other charges of the attorneys and collections agents, court costs, and all other costs of defense.

For purposes of this **Section 5**, the term the “Company” shall include all direct and indirectly owned subsidiaries of the Company.

You represent that you have carefully considered the terms of **Section 5**. You acknowledge and agree that these restrictions are reasonable and necessary to protect the Company’s business and good will, as Your Position is uniquely essential to the Company’s management, organization, or services.

6. TERMINATION

You or the Company may terminate your employment prior to the end of the Term upon written notice to the other party in accordance with the following provisions:

(a) **Voluntary Termination.** You may terminate your employment voluntarily at any time during the Term by providing the Company with 60 days prior written notice. If you do so, except for Good Reason (as defined below), you shall be entitled to receive from the Company your (i) accrued and unpaid Base Salary through the date of termination, (ii) any Annual Bonus earned for the year completed prior to the year of termination but not yet paid, and (iii) any other employee benefits generally paid by the Company up to the date of termination (collectively (i), (ii), and (iii), the “Accrued Obligations”).

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(b) **Death.** This Agreement shall automatically terminate on the date of your death without further obligation to you other than for payment by the Company to your estate or designated beneficiaries, as designated in writing to the Company, of (i) the Accrued Obligations through the last day of the month in which your death occurs, and (ii) a pro-rata portion of the Annual Bonus, if any, for the year of termination up to and including the date of death which shall be determined in good faith by the Compensation Committee. Your estate or beneficiaries, as applicable, shall also be entitled to all other benefits generally paid by the Company on an employee’s death.

(c) **Disability.** This Agreement and your employment shall terminate without any further obligation to you if you become “totally disabled” (as defined below) other than for payment by the Company of (i) the Accrued Obligations through the last day of the month in which you are deemed to be totally disabled and (ii) a pro-rata portion of the Annual Bonus, if any, for the year of termination up to and including the date you are deemed to be totally disabled as determined in good faith by the Compensation Committee.

You shall be deemed to be “totally disabled” if you are unable, for any reason, to perform any of your duties and obligations to the Company, with or without a reasonable accommodation, for a period of 90 consecutive days or for periods aggregating 120 days in any period of 180 consecutive days.

(d) **Cause.** The Company may terminate your employment at any time for “Cause” (as defined below) and this Agreement shall terminate immediately with no further obligations to you other than the Company shall pay you, within thirty days of such termination, the Accrued Obligations up to the date of such termination for Cause.

(e) **Termination by the Company Without Cause or by you for Good Reason.** If, during the Term, the Company terminates your employment without Cause or you terminate your employment for Good Reason (as defined below), in either case, other than within 18 months of a Change in Control (which is covered by Subsection (f) below), you shall be entitled to receive from the Company, conditioned on your continued compliance with the restrictive covenants contained in **Section 5** hereof and your execution and non-revocation of a release of claims substantially in the form attached hereto as Annex A, (i) the Accrued Obligations payable within 15 days after the date of termination (or, in the case of the prior year’s Annual Bonus, if any, at such time such bonus is payable pursuant hereto), (ii) an additional 12 months of your then current Base Salary, payable in equal monthly installments beginning with the first payroll date after the date on which the release of claims becomes effective and can no longer be revoked, and (iii) a pro rata portion of the Annual Bonus, if any, for the year of termination up to and including the date of termination which shall be determined in good faith by the Compensation Committee and paid at such time as such bonus is payable pursuant hereto.

(f) **Termination by the Company Without Cause or by you for Good Reason within 18 Months After a Change in Control.** If, during the Term, the Company terminates your employment without Cause or you terminate your employment for Good Reason, in either such case, within 18 months of a Change in Control (as defined below), you shall be entitled to receive from the Company, subject to your continued compliance with the restrictive covenants contained in **Section 5** hereof and your execution and non-revocation of a release of claims substantially in the form attached hereto as Annex A, (i) the Accrued Obligations payable within fifteen days after termination (or, in the case of the prior year’s Annual Bonus, if any, at such time such bonus is payable), (ii) a lump sum amount equal to 24 months of Base Salary in effect as of the date of termination of employment or the year immediately prior to the Change in Control, whichever is higher, and (iii) two times a target bonus amount, if any, in effect as of the date of termination of employment. The severance payments under sub-paragraphs (ii) and (iii) hereof shall be paid with the first payroll date after the date on which the release of claims becomes effective and can no longer be revoked. Any payment by the Company under this or any other section of this Agreement is subject to applicable tax withholdings.

(g) Notwithstanding the foregoing, if your severance payments payable hereunder constitute nonqualified deferred compensation subject to 409A of the Code and the period in which you must execute the release begins in one calendar year and ends in another, the severance payments will be made in the later calendar year.

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(h) For purposes of this Agreement:

(i) “Cause” shall mean termination based upon: (A) your failure to substantially perform your material duties and responsibilities of Your Position after a written demand regarding such performance is delivered to you by the Company, which identifies the manner in which you have not performed your duties or responsibilities and a cure period of 60 days, (B) your commission of an act of fraud, theft, misappropriation, dishonesty or embezzlement, (C) your conviction for a felony or pleading *nolo contendere* to a felony, (D) your willful and continuing failure or refusal to carry out, or comply with, in any material respect any reasonable directive of the Chief Executive Officer or the Board of Directors of the Company consistent with the terms of this Agreement, or (E) your material breach of any provision of this Agreement.

(ii) “Good Reason” shall mean the occurrence of any of the following events without your prior written consent:

(A) the failure of the Company to pay your Base Salary or Annual Bonus, if any, when due and if earned, other than an inadvertent administrative error or failure, within 10 days of receipt of notice by you,

(B) a material diminution in your authority or responsibilities from those described herein,

(C) any material breach of this Agreement by the Company, or

(D) a failure of the Company to have any successor assume in writing the obligations under this Agreement.

(iii) “Change in Control” shall mean the occurrence of any of the following events during the Term:

(A) any Person (which for purposes of this Section 6(h)(iii) shall include natural persons, partnerships, corporations and any other entities), or more than one Person acting as a group (as the term “group” is contemplated for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (“Group”), acquires ownership of stock of the Company that, together with stock held by such Person or Group, constitutes more than 50% of the total fair market value and total voting power of the stock of the Company; provided, however, that for purposes of this subsection (A), the following acquisitions shall not be deemed to result in a Change in Control: (1) any acquisition directly from the Company, (2) any acquisition by the Company or an affiliate of the Company, or (3) any acquisition by (x) any employee benefit plan (or related trust) intended to be qualified under Section 401(a) of the Code or (y) any trust established in connection with any broad-based employee benefit plan sponsored or maintained, in each case, by the Company or any corporation controlled by the Company (collectively (1), (2) and (3), the “Exempt Acquisitions”);

(B) any Person, or more than one Person acting as a Group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition) ownership of stock of the Company possessing 30% or more of the total voting power of the Company’s stock; provided, however, that none of the Exempt Acquisitions shall constitute a Change in Control.

(C) individuals who, as of the Effective Date, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, as a member of the Incumbent Board, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest or other actual or threatened solicitation of proxies or consents by or on behalf of a Person or group other than the Board; or

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(D) a Person, or more than one Person acting as a Group (other than a subsidiary or an affiliate of the Company), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition) assets of the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all assets of the Company immediately before such acquisition(s).

Notwithstanding the foregoing, a Change in Control shall not include any event, circumstance or transaction that results from an action of any Person or group which includes, is affiliated with or is wholly or partly controlled by one or more executive officers of the Company and in which you participate directly or actively (other than a renegotiation of your employment arrangements or in your capacity as an employee of the Company or any successor entity thereto or to the business of the Company).

7. NOTICES

Any notices required to be given under this Agreement shall, unless otherwise agreed to by you and the Company, be in writing and by certified mail, return receipt requested and mailed to the Company at its executive offices, currently at 1525 Perimeter Parkway NW, Suite 325, Huntsville, AL 35806, or to you at your home address at ***, or at such other address as may be provided by the Company or you.

8. ASSIGNMENT AND SUCCESSORS

The rights and obligations of the Company under this Agreement shall inure to the benefit of and shall be binding upon the successors of the Company. This Agreement may not be assigned by the Company unless the assignee or successor (as the case may be) expressly assumes the Company’s obligations hereunder in writing. In the event of a successor to the Company or the assignment of the Agreement, the term “Company” as used herein shall include any such successor or assignee.

9. WAIVER OR MODIFICATION

No waiver or modification in whole or in part of this Agreement or any term or condition hereof shall be effective against any party unless in writing and duly signed by the party sought to be bound. Any waiver of any breach of any provision hereof or right or power by any party on one occasion shall not be construed as a waiver of or a bar to the exercise of such right or power on any other occasion or as a waiver of any subsequent breach.

10. SEPARABILITY

Any provision of this Agreement which is unenforceable or invalid in any respect in any jurisdiction shall be ineffective in such jurisdiction to the extent that it is unenforceable or invalid without effecting the remaining provisions hereof, which shall continue in full force and effect. The unenforceability or invalidity of any provision of the Agreement in one jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

11. GOVERNING LAW AND CHOICE OF FORUM

This Agreement shall be interpreted and construed in accordance with the laws of the State of Alabama without regard to its choice of law principles. Any dispute, controversy or claim of any kind arising under, in connection with, or relating to this Agreement or your employment with the Company shall be resolved exclusively by binding arbitration. Such arbitration shall be conducted in Decatur, Alabama, in accordance with the rules of the American Arbitration Association (“AAA”) then in effect. The costs of the arbitration (fees to the AAA and for the arbitrator(s)) shall be shared equally by the parties, subject to apportionment or shifting in the arbitration award. In addition, the prevailing party in arbitration shall be entitled to reimbursement by the other party for its reasonable attorney’s fees incurred. Judgment may be entered on the arbitration award in any court of competent jurisdiction. You also agree that the forum for any lawsuit arising in whole or part from this Agreement is a court of competent jurisdiction sitting in Morgan County, Alabama.

12. ENTIRE AGREEMENT

This Agreement and the Annex hereto constitutes the entire agreement between the parties hereto with respect to the matters referred to herein, and supersedes any other agreement or promise relating to these matters.

13. HEADINGS

The headings contained in this Agreement are for convenience only and shall not effect, restrict or modify the interpretation of this Agreement.

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AGREED AND ACCEPTED:

By: _____
Hui An (Helena An)

Date: _____

Lakeland Industries, Inc.

By: _____
Charles D. Roberson, CEO and President

Date: _____

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ANNEX A

General Release

IN CONSIDERATION OF good and valuable consideration, the receipt of which is hereby acknowledged, and in consideration of the terms and conditions contained in the Employment Agreement, effective as of September __, 2022 (the “Agreement”), by and between **Hui An (Helena An)** (the “Executive”) and Lakeland Industries, Inc. (the “Company”), the Executive on behalf of himself and his heirs, executors, administrators, assigns, attorneys, successors, and assigns, knowingly and voluntarily, hereby waives, remits, releases and forever discharges the Company and its past, present and future subsidiaries, divisions, affiliates and parents, and all of their respective current and former officers, directors, stockholders, employees, agents, attorneys, lenders, and/or owners, and their respective successors, and assigns and any other person or entity claimed to be jointly or severally liable with the Company or any of the aforementioned persons or entities, both individually and in their business capacities, and their employee benefit plans and programs and their administrators and fiduciaries (the “Released Parties”) of and from any and all manner of actions and causes of action, suits, debts, dues, accounts, bonds, covenants, contracts, agreements, judgments, charges, claims, complaints, damages, demands, and obligations of any other nature whatsoever, past or present, known or unknown (“Losses”) which the Executive and his heirs, executors, administrators, and assigns have, had, or may hereafter have, against the Released Parties or any of them arising out of or by reason of any cause, matter, or thing whatsoever from the beginning of the world to the date hereof.

This release includes, but is not limited to, Losses arising out of or relating to the Executive’s employment by the Company and the cessation thereof, and any and all matters arising under any federal, state, or local statute, rule, or regulation, or principle of contract law or common law relating to the Executive’s employment by the Company and the cessation thereof, including, but not limited to, the Family and Medical Leave Act of 1993, as amended, 29 U.S.C. §§ 2601 et seq., Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. §§ 2000 et seq., the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. §§ 621 et seq. (the “ADEA”), the Older Workers Benefit Protection Act (“OWBPA”), the Americans with Disabilities Act of 1990, as amended, 42 U.S.C. §§ 12101 et seq., the Worker Adjustment and Retraining Notification Act of 1988, as amended, 29 U.S.C. §§2101 et seq., the Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C. §§ 1001 et seq., any applicable state or local law or regulation relating to employment, and any claim for or obligation to pay for attorneys’ fees, costs, fees, or other expenses. It is understood that nothing in this general release is to be construed as an admission on behalf of the Released Parties of any wrongdoing with respect to the Executive, any such wrongdoing being expressly denied.

The Executive does not release or discharge the Released Parties from (i) any rights to any payments, benefits or reimbursements due to the Executive under the Agreement; or (ii) any rights to any vested benefits due to the Executive under any employee benefit plans sponsored or maintained by the Company.

This release also bars any and all claims for future damages allegedly arising from the alleged continuation of the effect of any past action, omission or event, except nothing herein waives Executive’s rights to enforce this Agreement.

The Executive and the Company acknowledge that nothing in this Agreement limits or affects either party’s right, where applicable, to file or participate in an investigative proceeding conducted by the Equal Employment Opportunity Commission (“EEOC”), or any federal, state or local government agency. However, to the maximum extent permitted by law, the Executive agrees that if such an administrative claim is made, the Executive agrees to release, waive, relinquish and forego all legal relief, equitable relief, statutory relief, reinstatement, back pay, front pay and any other damages, benefits, remedies, or relief that Executive may be entitled to as a result of any prosecution of any administrative agency claim or commission charge, and the Executive shall not be entitled to recover any individual monetary award or relief or other individual remedies. Rights not waivable by law are not waived by this Agreement.

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The Executive represents and warrants that he fully understands the terms of this General Release, that he has been encouraged to seek, and has sought, the benefit of advice of legal counsel, and that he knowingly and voluntarily, of his own free will, without any duress, being fully informed, and after due deliberation, accepts its terms and signs below as his own free act. Except as otherwise provided herein, the Executive understands that as a result of executing this General Release, he will not have the right to assert that the Company or any other of the Released Parties unlawfully terminated his employment or violated any of his rights in connection with his employment or otherwise.

If Executive is 40 years of age or older, be advised that Executive has or may have specific rights and/or claims under the Age Discrimination in Employment Act of 1967 (“ADEA”) and Executive agrees that in consideration for the Severance Payment, he specifically and voluntarily waives such rights and/or claims under the ADEA which he might have against the Releasees to the extent such rights and/or claims arose prior to the date this Agreement was executed. Executive understands that rights and/or claims under the ADEA which may arise after the date this Agreement is executed are not waived by him.

By signing this General Release, the Executive does not release: (i) any right he may have to challenge the validity of this General Release under the ADEA or the OWBPA; or (ii) his right to enforce this General Release.

Executive hereby affirms and acknowledges the following:

- a. He has not filed, caused to be filed, or presently is a party to any claim, lawsuit, charge, arbitration, complaint, action, or proceeding against any of the Released Parties herein in any forum or form.
- b. He has been granted any leave to which he was entitled under the Family and Medical Leave Act or related state or local leave or disability accommodation laws.
- c. He has not given, sold, assigned or transferred to anyone else, any claim, or a portion of a claim referred to in this Agreement.
- d. He has no known workplace injury or occupational disease and has been provided with and/or has not been denied any leave requested under the Family and Medical Leave Act. He acknowledges and represents that he has no intention of filing any claim for workers’ compensation benefits of any type against the Company or any of the Released Parties, and that he will not file or attempt to file any claims for workers’ compensation benefits of any type against the Company or any related Released Parties. He acknowledges that the Company has relied upon these representations, and that the Company would not have entered into this Agreement but for these representations. As a result, he agrees, covenants, and represents that the Company may, but is not obligated to, submit this Agreement to the Workers’ Compensation Appeals Board for approval as a compromise and release as to any workers compensation claim that he files at any time against the Company or any of the Released Parties.
- e. He further affirms that he has not been retaliated against for reporting any allegations of wrongdoing by any of the Released Parties or their officers and directors, including any allegations of corporate fraud or bribery. He and the Company acknowledge that this Agreement does not limit either party’s right, where applicable, to file or participate in an investigative proceeding of any federal, state or local government agency. Except as to the extent permitted by law, he agrees that if such an administrative claim is made, he shall not be entitled to recover any individual monetary award or relief or other individual remedies.

The Executive may take 21 days to consider whether to execute this General Release. Upon the Executive’s execution of this general release, the Executive will have 7 days after such execution in which he may revoke such execution. For such a revocation to be effective, it must be delivered so that the undersigned person receives it in-hand or via fax on or before the expiration of the 7 day revocation period. This Agreement shall become effective on the first day following the expiration of the 7 day revocation period.

SIGNATURE PAGE FOLLOWS

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INTENDING TO BE LEGALLY BOUND, I hereby set my hand below:

Hui An (Helena An)

Dated: _____

STATE OF _____)
) s/s:
COUNTY OF _____)

On the ____ day of _____, 20____, before me personally came Hui An (Helena An), to me known, and known to me to be the individual described in, and who executed the foregoing General Release, and duly acknowledged to me that he executed the same.

Notary Public

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements Nos. 333-216943 and 333-200422 on Form S-3 and Registration Statement Nos. 333-144870, 333-176733, 333-183882, 333-205836, 333-219084 and 333-259308 on Form S-8 of our reports dated April 17, 2023, relating to the financial statements of Lakeland Industries, Inc. and the effectiveness of Lakeland Industries Inc.'s internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended January 31, 2023.

/s/ Deloitte & Touche LLP

Memphis, Tennessee
April 17, 2023

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Charles D. Roberson, certify that:

- 1) I have reviewed this report on Form 10-K of Lakeland Industries, Inc. (the “registrant”);
- 2) Based on my knowledge, this report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements and other financial information included in this report fairly present, in all material respects, the financial condition, results of operations and cash flows of the registrant as of and for the periods presented in this report;
- 4) The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant, and we have:
 - a. a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
- 5) The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls over financial reporting.

Date: April 17, 2023

By: /s/ Charles D. Roberson
Chief Executive Officer, President and Secretary

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Roger D. Shannon, certify that:

- 1) I have reviewed this report on Form 10-K of Lakeland Industries, Inc. (the “registrant”);
- 2) Based on my knowledge, this report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements and other financial information included in this report fairly present, in all material respects, the financial condition, results of operations and cash flows of the registrant as of and for the periods presented in this report;
- 4) The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant, and we have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
- 5) The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls over financial reporting.

Date: April 17, 2023

By: /s/ Roger D. Shannon
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to 18 USC. § 1350, As Adopted Pursuant to
§ 906 of the Sarbanes-Oxley Act of 2002

In connection with the filing with the Securities and Exchange Commission of the Annual Report of Lakeland Industries, Inc. (the “Company”) on Form 10-K for the year ended January 31, 2023 (the “Report”), I, Charles D. Roberson, Chief Executive Officer, President and Secretary of the Company, certify, pursuant to 18 USC. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the report.

/s/ Charles D. Roberson

Charles D. Roberson

Chief Executive Officer, President and Secretary

April 17, 2023

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to 18 USC. § 1350, As Adopted Pursuant to
§ 906 of the Sarbanes-Oxley Act of 2002

In connection with the filing with the Securities and Exchange Commission of the Annual Report of Lakeland Industries, Inc. (the “Company”) on Form 10-K for the year ended January 31, 2023 (the “Report”), I, Roger D. Shannon, Chief Financial Officer of the Company, certify, pursuant to 18 USC. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the report.

/s/ Roger D. Shannon

Roger D. Shannon
Chief Financial Officer

April 17, 2023