<u>SURVITEC SERVICE & DISTRIBUTION LIMITED</u>

(Registered No. 00553893)

<u>ANNUAL REPORT AND FINANCIAL STATEMENTS</u>

<u>FOR THE YEAR ENDED 31 DECEMBER 2018</u>

SURVITEC SERVICE & DISTRIBUTION LIMITED

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SURVITEC SERVICE & DISTRIBUTION LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS
S K Devani
L M Millar
R Wilkinson

COMPANY SECRETARY
S Lewis

REGISTERED OFFICE
1-5 Beaufort Road
Birkenhead
Merseyside
CH41 1HQ

INDEPENDENT AUDITORS
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

SOLICITOR
Latham & Watkins
99 Bishopsgate
London
EC2M 3XF

STRATEGIC REPORT

The directors present their strategic report on the Company for the year ended 31 December 2018.

REVIEW OF THE BUSINESS

The Company continued to trade in the supply and servicing of safety at sea equipment, protective clothing, fibre products and commercial fishing gear.

The key performance indicators are revenue, profit before taxation and EBITDA. These key performance indicators are discussed in the Business Review.

The trading results of the Company for the year show revenue for the year of £32,317,000 (2017: £32,761,000) and loss before taxation for the year of £1,492,000 (2017: profit £774,000). The loss for the year is driven by Goodwill impairment of £3,134,000. Survitec Service & Distribution Limited is a subsidiary of Survitec Group (including Survitec Acquisition Company Limited and its subsidiaries). In the year, Survitec Group management continued to spend a significant amount of time integrating the Wilhelmsen Safety business that had been acquired in 2016. The integration of this business proved to be more challenging than anticipated, such that management's capacity to support the core underlying business and resolve operational challenges therein was significantly reduced. These operational challenges resulted in a reduced focus on sales, delayed customer order fulfilment, duplication of costs and processes and have consequently contributed to the impairment charge recognised in the year. The Group have recently appointed new management, bringing with them a wealth of experience in similar environments. New management are focused on resolving the operational challenges that impacted the business during the year, so that the business is well positioned to benefit from growth and efficiency improvements going forward.

EBITDA for the year is calculated as follows:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Operating (loss)/profit	(1,286)	967
Depreciation and amortisation	743	886
Goodwill impairment	3,134	-
EBITDA	2,591	1,853
EBITDA margin	8.0%	5.7%

The statement of financial position on page 15 shows that net assets have (decreased) from £7,962,000 at 31 December 2017 to £6,364,000 at 31 December 2018.

REVIEW OF THE BUSINESS (continued)

The Company employed a monthly average of 215 employees in the current year (2017: 228).

FUTURE DEVELOPMENTS

Looking forward to the current year there have been strong turnover and cost opportunities for the business to pursue. The company launched new products in the latter part of 2019 in response to industry demands.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company operates in competitive markets which are a continuing risk to the Company and could result in the loss of sales to its competitors. The Company manages the risk by providing a high standard of service to its customers, investing in new products, responding quickly to customers' requirements and maintaining strong relationships with them.

The markets in which the Company operates react to global and industry specific macro-economic trends, such as government defence spending, global oil prices and regulatory requirements. The Company reacts to such risks through a combination of new product development, a broad highly regulated product and geographical portfolio and management of its cost base.

Most of the Company's products are of a safety critical nature where performance may be required in hazardous conditions. The Company invests in design and development, quality controls and standards to ensure that its products meet all regulatory requirements and perform reliably when required.

Approved by the Board and signed
on its behalf by:

Ross Wilkinson
Director
23 October 2019

SURVITEC SERVICE & DISTRIBUTION LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements of the Company for the year ended 31 December 2018.

FUTURE DEVELOPMENTS

A review of future developments is included in the Strategic Report and included in this report by cross reference.

DIVIDENDS

The directors did not recommend a payment of a dividend for the year ended 31 December 2018 (2017: £Nil).

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a number of financial risks including foreign exchange rate risk, credit risk, interest rate risk, price risk and going concern. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors. The Company does not use derivative instruments for speculative purposes.

FOREIGN EXCHANGE RATE RISK

The Company, whilst based in the UK, operates in geographically diverse locations, with 28.7% (2017: 29%) of its sales being made outside the UK. It is therefore exposed to movements in exchange rates. The Company seeks to minimise the impact of the movement in exchange rates on its local operations by the use of multi-sourcing of its key materials and the use of foreign exchange contracts.

CREDIT RISK

The Company's principal financial assets are cash and trade and other receivables.

Credit risk for the Company is primarily attributed to trade receivables. The amount presented in the financial statements is net of bad debt provisions. Credit risks on liquid funds and derivative financial instruments are limited because the counterparties are banks with high credit ratings assigned by the international credit ratings agencies.

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to individual customers is subject to a limit which is reassessed regularly by the Board.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

INTEREST RATE RISK

The Company has amounts owed to group undertakings which carry interest at a fixed rate and expose it to fair value interest rate risk. The directors do not consider this risk to be significant and therefore no steps have been taken to mitigate this risk.

PRICE RISK

The Company is not exposed to equity securities price risk as it holds no listed or other equity investments.

GOING CONCERN

The financial statements have been prepared on the going concern basis, which the Directors believe to be appropriate on the basis of the considerations set out below.

The Company is a wholly owned subsidiary of Survitec Acquisition Company Limited (together with its subsidiaries, the "Survitec Group"). As at 31 December 2018, the Company had net assets of £6,364,000 and has adequate resources to meet its obligations as they fall due. The assets of the Company and the shares that the parent company owns in the Company, are pledged as collateral under Survitec Group's external bank loan and overdraft facilities ("the facilities"). This collateral would be at risk in the event that a member of the Survitec Group defaults on obligations contained in the facilities agreement.

As at the date of signing these financial statements, the Survitec Acquisition Group is in discussions with shareholders and lenders regarding its financing position. It has received consent for the waiver of its 30 June 2019 covenant test from the lenders, consent for the deferral of certain interest payments due on 14 October 2019 and 15 October 2019 and the forbearance in respect of any enforcement action taken by them regarding the non-payment of an interest payment on the facilities which was due on 15 October 2019. This waiver, deferral and forbearance expires at close of business on 14 November 2019 and provides additional time to establish a new financing structure for the Survitec Acquisition Group and agree a new financing facility with lenders and shareholders. The Survitec Acquisition Group is also working with its lenders to obtain a waiver, is required, for its 30 September 2019 covenant test that is due on 14 November 2019 and with its shareholders and lenders to deliver a refinancing and restructuring plan that will provide sustainable banking facilities, capital structure and investment for the Survitec Acquisition Group. The Directors have a reasonable expectation of achieving a suitable financing arrangement and are working to complete the restructuring and refinancing during the current financial year, including sufficient new funds to meet the future cash and liquidity requirements of the Survitec Acquisition Group and to provide further resources to support the transformation of operations going forward.

However, without a successful refinancing and restructuring of the facilities, the Company may be unable to meet its liabilities as they fall due, with liquidity requirements for the Survitec Acquisition Group forecast to exceed the current facilities in Q1 2020. The ability to secure a refinancing, the terms of any new facilities and the form of the restructuring are currently uncertain, although the directors have a reasonable expectation that a consensual and solvent form of restructuring is more likely than a form that includes an insolvency process.

GOING CONCERN (continued)

At the date of signing these financial statements however, the outcome and timing of these actions is uncertain and therefore these events and conditions indicate that a material uncertainty exists in respect of Survitec Acquisition Company Limited that may cast significant doubt on the Company's ability to continue as a going concern as Survitec Acquisition Company Limited would be unable to provide the Company with the necessary financial support and the collateral pledged by the Company under the existing financing facilities may also be at risk. This material uncertainty in respect of Survitec Acquisition Company Limited's position has a number of implications for this Company that comprise: the available liquidity under the existing and future facilities; the ability to reach agreement with the lenders and shareholders in a timeframe that addresses the short-term liquidity needs; the further extension of the waiver for the 30 June 2019 covenant test and further deferral and/or forbearance regarding non-payment of interest payments beyond the current expiry date of 14 November 2019 and a waiver, if required, for the upcoming 30 September 2019 covenant test due on 14 November 2019; the nature of future covenant requirements which are still to be determined; the future trading performance of the Survitec Acquisition Group; and the form and nature of the restructuring which is not yet agreed (including any relevant regulatory approvals that need to be obtained).

Having given consideration to the matters outlined above, the nature of the discussions and positive ongoing engagement with the lenders and shareholders, the Directors confirm that they have a reasonable expectation that a satisfactory outcome in respect of the Survitec Acquisition Group's refinancing and restructuring plans will be achieved which they expect will result in a consensual and solvent outcome that includes new investment and for this reason they continue to adopt the going concern basis in preparing the financial statements. However, the conditions outlined above indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

DIRECTORS

The Directors holding office during the year, and up to the date of signing the financial statements, were:

J Denis (appointed 10th January 2018, resigned 14th May 2019)
J E Drummond (appointed 17th December 2018, resigned 14th May 2019)
J C Stocker (resigned 30th April 2019)
B M Stringer (resigned 18th December 2018)
S K Devani (appointed 14th May 2019)
L M Millar (appointed 14th May 2019)
R Wilkinson (resigned 10th January 2018, appointed 14th May 2019)
C R Bates (resigned 16th August 2018)
J S Rugman (appointed 10th January 2018, resigned 30th August 2018)

DIRECTORS' INDEMNITIES

The Group has made a qualifying third party indemnity provision for the benefit of its directors during the year and it remained in force at the date of this report.

EMPLOYEE INVOLVEMENT

During the year average monthly employee numbers have reduced by 13 bringing them to 215. Employees are kept informed of any relevant information through regular management and employee review meetings.

DISABLED EMPLOYEES

The Company's policy in relation to the employment of disabled persons is, where practicable, to continue to employ employees who become temporarily or permanently disabled. Full regard is given to their training needs, career development and promotional potential. Full and fair consideration is also given to the employment of applicants who are disabled persons, taking into account their aptitudes and abilities.

POLITICAL DONATIONS

During the year the Company made no political donations (2017: nil).

RESEARCH AND DEVELOPMENT

The Company is currently undertaking research and development in respect of improvements to the production process and the development of new products. Research expenditure is expensed as incurred and amounted to £28,000 in the year (2017: £84,000). The total capitalised development costs in 2018 amounted to £nil (2017: £110,000).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director in office at the date the Directors' Report is approved:

- so far as the directors' are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

INDEPENDENT AUDITORS

The Company has elected to dispense with the holding of annual general meetings, the laying of financial statements before the Company in general meetings and the annual appointment of auditors. PricewaterhouseCoopers LLP have expressed their willingness to continue in office.

Approved by the Board and signed
on its behalf by:

Ross Wilkinson
Director
23 October 2019

Independent auditors' report to the members of Survitec Service & Distribution Limited

Report on the audit of the financial statements

Opinion

In our opinion, Survitec Service & Distribution Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the income statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3 to the financial statements concerning the company's ability to continue as a going concern. The Company is part of the Survitec Acquisition Group ("Survitec Acquisition Group" is defined as Survitec Acquisition Company Limited and all of its subsidiary undertakings taken together) and is reliant upon the support of Survitec Acquisition Group to meet its liabilities as they fall due.

At the date of this report, the Survitec Acquisition Group is in discussions with shareholders and lenders regarding its financing position. As set out in note 3, the outcome and timing of the discussions with shareholders and lenders and the potential restructuring is uncertain and Survitec Acquisition Company Limited may not be able to provide the Company with the necessary financial support. Further, the collateral pledged by the Company under the existing financing facilities may also be at risk. If a satisfactory and solvent outcome in respect of the Survitec Acquisition Group's refinancing and restructuring plans is not achieved before forecast liquidity requirements exceeds existing facilities in Q1 2020, the Company would cease to be a going concern.

These conditions, along with the other matters explained in note 3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Independent auditors' report to the members of Survitec Service & Distribution Limited

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on pages 9 and 10, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Js Jenkins

Julian Jenkins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 October 2019

SURVITEC SERVICE & DISTRIBUTION LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
REVENUE	4	**32,317**	**32,761**
Change in inventories of finished goods and work in progress		(218)	(111)
Raw materials and consumables used		(17,584)	(19,087)
Employee benefits expense	5	(7,665)	(7,104)
Depreciation and amortisation		(743)	(886)
Goodwill impairment	9	(3,134)	-
Other operating expenses		(4,259)	(4,606)
OPERATING (LOSS) / PROFIT		**(1,286)**	**967**
Finance costs	7	(206)	(193)
(LOSS) / PROFIT BEFORE TAXATION	6	**(1,492)**	**774**
Tax (charge)/credit on (loss)/profit	8	(106)	539
(LOSS) / PROFIT FOR THE FINANCIAL YEAR		**(1,598)**	**1,313**

The Company has no other comprehensive income other than that included above and therefore no separate statement of other comprehensive income has been presented. All results are derived from continuing operations.

The notes on pages 17 to 44 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	31 December 2018 £'000	31 December 2017 (restated – note 21) £'000
FIXED ASSETS			
Intangible assets	9,10	108	3,514
Property, plant and equipment	11	2,640	2,425
		2,748	5,939
CURRENT ASSETS			
Inventories	12	3,212	3,295
Trade and other receivables	13	11,162	10,178
Cash and cash equivalents	14	2,054	1,505
		16,428	14,978
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(8,339)	(8,360)
Provision for liabilities	16	(103)	(128)
NET CURRENT ASSETS		7,986	6,490
TOTAL ASSETS LESS CURRENT LIABILITIES		10,734	12,429
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(3,528)	(3,495)
Provisions for liabilities	16	(842)	(972)
NET ASSETS		**6,364**	**7,962**
EQUITY			
Called up share capital	18	250	250
Retained earnings		6,114	7,712
TOTAL SHAREHOLDERS' FUNDS		**6,364**	**7,962**

The notes on pages 17 to 44 form part of these financial statements.

The financial statements of Survitec Service & Distribution Limited, registered number 00553893, on pages 14 to 44 were approved by the Board of Directors on 23 October 2019 and signed on its behalf by:

Ross Wilkinson
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
At 1 January 2017	250	6,399	6,649
Profit for the financial year	-	1,313	1,313
At 31 December 2017	**250**	**7,712**	**7,962**
Loss for the financial year	-	(1,598)	(1,598)
At 31 December 2018	**250**	**6,114**	**6,364**

The notes on pages 17 to 44 form part of these financial statements.

1. GENERAL INFORMATION

The financial statements of Survitec Service & Distribution Limited (the Company) for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 23 October 2019. Survitec Service & Distribution Limited is a private limited company incorporated and domiciled in England and Wales. Survitec Service and Distribution Limited is a private company limited by shares. The registered office of the company is 1-5 Beaufort Road, Birkenhead, Merseyside, CH41 1HQ. The principal activity of the Company is the supply and servicing of safety at sea equipment, protective clothing, fibre products and commercial fishing gear.

2. BASIS OF PREPARATION

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

The financial statements have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with Companies Act 2006, as applicable to companies using FRS 101.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The main impact on the Company of adopting IFRS 9 was expected to arise from the implementation of the expected credit loss model, and in particular the impact on provisioning for expected losses on trade receivable balances. This has now been assessed and there was no material impact on equity at 1 January 2018.

The introduction of IFRS 15 did not have a material impact on the financial statements. Using the five stage approach under IFRS 15 the Company's revenue recognition points were not materially different to the revenue recognition points under IAS 18. IFRS 15 requires new disclosures in respect of contract assets, contract liabilities and revenue split between at a point in time and over time.

For the accounting period ending 31 December 2019 the company will apply IFRS 16 "Leases". It is expected that as a result of the adoption of IFRS 16 a lease obligation of approximately £2.1m would be recognised as at 1 January 2019.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 if IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);

2. BASIS OF PREPARATION (continued)

- Paragraph 38 of IAS 1 'Presentation of financial statements' comparative information requirements in respect of;
  i) Paragraph 79(a)(iv) of IAS 1;
  ii) Paragraph 73(e) of IAS 16 Property, plant and equipment;
  iii) Paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the year);
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  i) 10(d), (statement of cash flows);
  iv) 10(f) (a statement of financial position as at the beginning of the preceding year when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
  ii) 16 (statement of compliance with all IFRS);
  iii) 111 (cash flow statement information), and;
  iv) 134 – 136 (capital management disclosures).
- IAS 7, 'Statement of cash flows';
- The following paragraphs IFRS 15, 'Revenue from Contracts with Customers':
  i) 110(b) (Disclosure about the significant judgements, and changes in the judgements, made in applying the standard to contracts with customers);
  ii) 113(a) (Separate disclosure of revenue recognised from contracts with customers);
  iii) 114 -115 (Disclosure of contracts with customers – disaggregation of revenue);
  iv) 118 (a-e) (Explanation of the significant changes in the contract assets and the contract liability balances);
  v) 119 (a-c) (Disclosure of information about performance obligations in contracts with customers);
  vi) 120 - 122 (Disclosure of contracts with customers and the transaction price allocated to the remaining performance obligations);
  vii) 123 - 126 (Disclosure of significant judgements in application of the standard)
  viii) 127 (Disclosure of the judgements made in determining the amounts of costs incurred to obtain or fulfil a contract with a customer and the methods used to determine the amortisation for each reporting period);
  ix) 129 (Disclosure of practical expedient).
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

3. STATEMENT OF ACCOUNTING POLICIES

GOING CONCERN

The financial statements have been prepared on the going concern basis, which the Directors believe to be appropriate on the basis of the considerations set out below.

The Company is a wholly owned subsidiary of Survitec Acquisition Company Limited (together with its subsidiaries, the "Survitec Group"). As at 31 December 2018, the Company had net assets of £6,364,000 and has adequate resources to meet its obligations as they fall due. The assets of the Company and the shares that the parent company owns in the Company, are pledged as collateral under Survitec Group's external bank loan and overdraft facilities ("the facilities"). This collateral would be at risk in the event that a member of the Survitec Group defaults on obligations contained in the facilities agreement.

As at the date of signing these financial statements, the Survitec Acquisition Group is in discussions with shareholders and lenders regarding its financing position. It has received consent for the waiver of its 30 June 2019 covenant test from the lenders, consent for the deferral of certain interest payments due on 14 October 2019 and 15 October 2019 and the forbearance in respect of any enforcement action taken by them regarding the non-payment of an interest payment on the facilities which was due on 15 October 2019. This waiver, deferral and forbearance expires at close of business on 14 November 2019 and provides additional time to establish a new financing structure for the Survitec Acquisition Group and agree a new financing facility with lenders and shareholders. The Survitec Acquisition Group is also working with its lenders to obtain a waiver, is required, for its 30 September 2019 covenant test that is due on 14 November 2019 and with its shareholders and lenders to deliver a refinancing and restructuring plan that will provide sustainable banking facilities, capital structure and investment for the Survitec Acquisition Group. The Directors have a reasonable expectation of achieving a suitable financing arrangement and are working to complete the restructuring and refinancing during the current financial year, including sufficient new funds to meet the future cash and liquidity requirements of the Survitec Acquisition Group and to provide further resources to support the transformation of operations going forward.

However, without a successful refinancing and restructuring of the facilities, the Company may be unable to meet its liabilities as they fall due, with liquidity requirements for the Survitec Acquisition Group forecast to exceed the current facilities in Q1 2020. The ability to secure a refinancing, the terms of any new facilities and the form of the restructuring are currently uncertain, although the directors have a reasonable expectation that a consensual and solvent form of restructuring is more likely than a form that includes an insolvency process.

3. STATEMENT OF ACCOUNTING POLICIES (continued)

GOING CONCERN (continued)

At the date of signing these financial statements however, the outcome and timing of these actions is uncertain and therefore these events and conditions indicate that a material uncertainty exists in respect of Survitec Acquisition Company Limited that may cast significant doubt on the Company's ability to continue as a going concern as Survitec Acquisition Company Limited would be unable to provide the Company with the necessary financial support and the collateral pledged by the Company under the existing financing facilities may also be at risk. This material uncertainty in respect of Survitec Acquisition Company Limited's position has a number of implications for this Company that comprise: the available liquidity under the existing and future facilities; the ability to reach agreement with the lenders and shareholders in a timeframe that addresses the short-term liquidity needs; the further extension of the waiver for the 30 June 2019 covenant test and further deferral and/or forbearance regarding non-payment of interest payments beyond the current expiry date of 14 November 2019 and a waiver, if required, for the upcoming 30 September 2019 covenant test due on 14 November 2019; the nature of future covenant requirements which are still to be determined; the future trading performance of the Survitec Acquisition Group; and the form and nature of the restructuring which is not yet agreed (including any relevant regulatory approvals that need to be obtained).

Having given consideration to the matters outlined above, the nature of the discussions and positive ongoing engagement with the lenders and shareholders, the Directors confirm that they have a reasonable expectation that a satisfactory outcome in respect of the Survitec Acquisition Group's refinancing and restructuring plans will be achieved which they expect will result in a consensual and solvent outcome that includes new investment and for this reason they continue to adopt the going concern basis in preparing the financial statements. However, the conditions outlined above indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

DIVIDEND DISTRIBUTION

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the year in which the dividends are approved by the company's shareholders.

3. STATEMENT OF ACCOUNTING POLICIES (continued)

INTANGIBLE ASSETS

a) Goodwill

Goodwill arises on the acquisition of trade and assets, and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill is not amortised but is reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

b) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the criteria as per c) Research and Development below are met:

Computer software development costs recognised as assets are amortised over their useful lives, which does not exceed 5 years.

3. STATEMENT OF ACCOUNTING POLICIES (continued)

INTANGIBLE ASSETS (continued)

c) Research and development

Research and development activities are typically self-initiated in nature. Costs for self-initiated research and development activities are assessed to determine if they qualify for recognition as internally generated intangible assets. Apart from complying with the general requirements for initial measurement of an intangible asset, qualification criteria are met only when:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Further to meeting these criteria, only such costs that relate solely to the development phase of a self-initiated project are capitalised. Any costs that are classified as part of the research phase of a self-initiated project are expensed as incurred. If the research phase cannot be clearly distinguished from the development phase, the respective project-related costs are treated as if they were incurred in the research phase only.

Capitalised development costs are generally amortized over the estimated number of units produced. In cases where the number of units produced cannot be reliably estimated, capitalised development costs are amortised over the estimated useful life of the internally generated intangible asset.

Internally generated intangible assets are reviewed for impairment annually when the asset is not yet in use or when events or changes in circumstances indicated that the carrying amount may not be recoverable and the asset is in use.

FOREIGN CURRENCY

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing as at that date.

3. STATEMENT OF ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax.

The Company has three key revenue streams, sales of goods, sale of goods with installation and/or training and servicing. The Company's performance obligations and revenue recognition policy for each revenue stream is noted below.

(a) Sale of goods

For contracts for the sale of an individual item, the performance obligation is the acceptance or delivery of the item. For contracts with more than one item, the performance obligation is either:

- The acceptance or delivery of each individual item where each item is considered distinct; or
- The acceptance or delivery of the final item where the goods are not distinct.

Revenue is recognised at the point in time when the customer obtains control of the goods which is based on the delivery terms of the contract.

(b) Sale of goods with installation and/or training

Delivery of goods, installation services and training services are treated as separate performance obligations as the customer can benefit from each separately and they are separate promises within the contracts. The performance obligations are in line with 'a) Sales of goods'.

Revenue in respect of goods is in line with 'a) Sales of goods'. Revenue in respect of installation is recognised over the year of the installation service and revenue in respect of training is recognised over the year of the training as installation services enhance customer assets, whilst training & services are simultaneously received and consumed by the customer.

(c) Servicing of safety equipment

The company carries out services on a variety of safety products to meet the periodic service requirements under maritime law. The performance obligation is the completion of these services. These services do not meet the criteria to be recognised over time as i) the company only has the right to payment on completion of the service, ii) the company is not enhancing or creating an asset and iii) the customer does not simultaneously receive and consume the benefits as performance progressed as the service has to be fully completed by the company and performance to date could not be re-performed by another party.

3. STATEMENT OF ACCOUNTING POLICIES (continued)

OTHER INCOME

(a) Interest income
Interest income is recognised using the effective interest rate method. Interest income is included in financing income in the income statement.

(b) Dividend income
Dividend income is recognised when the right to receive payment is established.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is shown at historical cost less subsequent depreciation for buildings. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	%	
Leasehold property improvements	over life of lease	
Plant and machinery	10 to 40	per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating expenses' in the income statement.

3. STATEMENT OF ACCOUNTING POLICIES (continued)

IMPAIRMENT OF NON FINANCIAL ASSETS

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units).

In assessing fair value, the Company gives consideration to the likely terminal value using a discounted cashflow. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. STATEMENT OF ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets of the Company include cash and cash equivalents and trade and other receivables. Financial liabilities of the Company include trade and other payables, amounts due to related parties, obligations under leases and loans.

Initial recognition and measurement

Financial assets and liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual obligations of the instrument.

The Company classifies its financial assets in the following measurement categories:

i) Those to be measured at amortised costs; and

ii) Those to be measured subsequently at fair value (either through Other Comprehensive Income or through profit and loss).

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. The Company reclassifies its financial assets when, and only when its business model for managing those assets changes.

At initial recognition, the company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Financial liabilities are classified as financial liabilities at fair value through profit or loss, other financial liabilities at amortised cost or as derivatives.

Financial liabilities are recognised at fair value plus, in the case of financial instruments not at fair value through profit and loss (i.e. loans and receivables and other financial liabilities), transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs directly attributable to financial liabilities which are measured at fair value (i.e. fair value through profit and loss or derivatives) are recognised in the income statement as incurred.

Subsequent measurement

Subsequent to recognition, financial assets and liabilities are measured according to the category to which they are classified.

(a) Financial assets

Subsequent measurement of financial assets depends on the Company's business model for managing those financial assets and the cash flow characteristics of those financial assets. The Company only has financial assets classified at amortised cost. These assets are those held for contractual collection of cash flows, where those cash flows represent solely payments of principal and interest and are held at amortised cost. Any gains or losses arising on derecognition is recognised directly in profit or loss.

3. STATEMENT OF ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS

Subsequent measurement (continued)

(b) Financial liabilities at fair value through profit and loss

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement.

(c) Other financial liabilities

Trade and other payables and borrowings (including amounts due to related parties) are classified as other financial liabilities and are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest rate method (see below).

Impairment of financial assets

The Company assesses on a forward looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. For trade receivables the Company applies the simplified approach permitted by IFRS9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. For other receivables the Company applies the three stage model to determine expected credit losses.

Derecognition

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. STATEMENT OF ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Derecognition (continued)
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

INTEREST EXPENSE

Interest on financial liabilities is calculated using the effective interest method and is recognised in the income statement as part of finance costs.

LEASES

Lessee
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the year in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Company leases certain plant and equipment. Leases of plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payment.

3. STATEMENT OF ACCOUNTING POLICIES (continued)

LEASES (continued)
Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the income statement over the lease year so as to produce a constant year rate of interest on the remaining balance of the liability for each year. The plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Lessor
Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. The Company will continue to recognise the leased asset in its statement of financial position.

Leases in which the Company transfers substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Under a finance lease, the present value of the minimum future lease payments receivable by the Company is recognised as a receivable and the related asset is derecognised. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

The method for allocating gross earnings to accounting periods is referred to as the actuarial method. The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will be at a constant rate of return on the lessor's net investment in the lease over the lease term.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges for purchases of raw materials.

3. STATEMENT OF ACCOUNTING POLICIES (continued)

TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge, including UK corporation tax and foreign tax is calculated on the basis of the tax laws enacted or substantively enacted by the statement of financial position date. Management year evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transactions affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is measured at the average tax rates that are expected to apply in the years in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred income tax is measured on a non-discounted basis.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. STATEMENT OF ACCOUNTING POLICIES (continued)

PENSION COSTS

The Company operates a defined contribution pension scheme. The amount charged to the income statement in respect of pension costs is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

CREDITORS

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

3. STATEMENT OF ACCOUNTING POLICIES (continued)

JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Goodwill impairment

Goodwill is reviewed for impairment annually. In recent years the business to which the goodwill relates has been slowly transferring to fellow group undertakings and that transfer has reached the point in the current year where there is no remaining justification to support the carrying value of goodwill. Accordingly the goodwill has been written down to £nil.

Recognition of deferred tax asset

As stated in note 17, deferred taxation assets of £433,000 have been recognised in 2018. Due to the forecast profitability profile of the group, it now seems more likely than not that sufficient taxable profits will arise from which temporary differences can be deducted. For this reason these temporary differences have been recognised in full in the current year. For the year ended 31 December 2017 the deferred tax assets of £539,000 were recognised.

Provisions for Liabilities and Charges –Dilapidations

There are 11 properties under repairing lease arrangements requiring the properties to be reinstated to their original state when vacating the property. The key sources of estimation uncertainty arise from the estimation of the normal wear and tear in a building together with the estimate of the amount of work required to restore the building to its original condition in situations where the company has changed the original configuration. The Company's estimates make use of third party valuations from prior periods, updated for changes in building condition and configuration.

4. REVENUE

Revenue by geography destination is as follows:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
United Kingdom	23,027	23,334
Overseas	9,290	9,427
	32,317	32,761

Timing of revenue is as follows:-

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Point in Time	30,717	31,152
Leasing	1,600	1,609
TOTAL	32,317	32,761

5. EMPLOYEE BENEFITS EXPENSE

The average monthly number of employees (including directors) during the year was as follows:

	Year ended 31 December 2018 No.	Year ended 31 December 2017 No.
Management and administration	95	101
Sales and distribution	120	127
Total	215	228

Their aggregate remuneration comprised:	£'000	£'000
Wages and salaries	6,844	6,276
Social security costs	657	653
Other pension costs	196	175
Total	7,665	7,104

DIRECTORS' REMUNERATION

	Year ended 31 December 2018 £'000	Year ending 31 December 2017 £'000
Emoluments	232	96
Company contributions to personal pension plans	-	7
Benefits in kind – Health care	-	1
	232	104

Highest paid director during the year:

	Year ended 31 December 2018 £'000	Year ending 31 December 2017 £'000
Emoluments	232	96
Company contributions to personal pension plans	-	7
Benefits in kind – Health care	-	1
	232	104

5. EMPLOYEE BENEFITS EXPENSE (continued)

DIRECTORS' REMUNERATION (continued)

No directors are accruing benefits under defined contribution pension plans (2017: one).

A number of the directors are paid their remuneration by both the parent company and other related Group undertakings. This remuneration is not recharged to the Company. Throughout the year 4 of the Company's directors are also directors of the parent company and a number of fellow subsidiaries, and it is not possible to make an accurate apportionment of their remuneration in respect of each of the subsidiaries. Accordingly, the above details do not include remuneration in respect of the directors paid by both the parent company and other related Group undertakings.

6. (LOSS) / PROFIT BEFORE TAXATION

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
(Loss) / profit before taxation is stated after charging/(crediting):		
Research and non – qualifying development expenditure	28	84
Depreciation and amortisation	743	886
Goodwill impairment	3,134	-
Rentals payable under operating leases:	965	794
Auditors' remuneration for audit of the financial statements	60	52
Foreign exchange (gains)/losses	(94)	18
Profit on sale of property, plant and equipment	(5)	(17)

7. FINANCE COSTS

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
On bank loans and overdrafts	-	2
Interest payable to Group undertakings	206	191
Finance costs	206	193

8. TAX (CHARGE)/CREDIT ON (LOSS)/PROFIT

The Company had £106,489 tax charge for the year (2017: £539,355, credit).

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Deferred tax:		
Origination and reversal of timing differences	110	(610)
Adjustments in respect of previous years	8	-
Effects of tax rate changes	(12)	71
Tax charge/(credit)	106	(539)

The total tax charge/(credit) for the year is explained below;

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
(Loss)/profit before taxation	(1,492)	774
(Loss) / profit before taxation multiplied by current tax rate at 19% 2017 19.25%)	(283)	149
Effects of:		
Expenses not deductible for tax purposes	605	6
Adjustment in respect of previous year	8	-
Tax rate changes	(12)	-
Other temporary differences	-	(14)
Group relief claimed	(212)	(41)
Deferred tax recognised	-	(639)
Tax charge/(credit)	106	(539)

The average tax rate for the current year is 19% (2017: 19.25%). The Corporation tax rate decreased to 19% from April 2017. A further reduction in UK Corporation tax rate was enacted as part of the Finance Act 2016 (substantially enacted on 6th September 2016, and fully enacted on 15th September 2016). This will reduce the main rate of Corporation tax to 17% from April 2020.

9. GOODWILL

	Goodwill £'000
At 31 December 2017	3,134
Impairment	(3,134)
At 31 December 2018	-

In recent years the business to which the goodwill relates has been slowly transferring to fellow group undertakings and that transfer has reached the point in the current year where there is no remaining justification to support the carrying value of goodwill. Accordingly the goodwill has been written down to £nil.

10. INTANGIBLE ASSETS

	Research and Development £'000	Computer software £'000	Total £'000
COST			
At 1 January 2018	616	836	1,452
Additions	-	18	18
Disposals	(61)	(10)	(71)
At 31 December 2018	555	844	1,399
ACCUMULATED AMORTISATION			
At 1 January 2018	321	751	1,072
Charge for the year	179	60	239
Disposals	(10)	(10)	(20)
At 31 December 2018	490	801	1,291
NET BOOK VALUE			
At 31 December 2018	65	43	108
At 31 December 2017	295	85	380

Under the terms of the Company's facilities agreement, the Company has granted a fixed and floating charge over the assets held by group companies that are subject to the finance recourse group. As at 31 December 2018, the total value of intangible assets subject to such charge was £108,000. (2017: £380,000)

11. PROPERTY, PLANT AND EQUIPMENT

	LEASEHOLD PROPERTY IMPROVEMENTS £'000	PLANT AND MACHINERY £'000	TOTAL £'000
COST			
At 1 January 2018	168	6,481	6,649
Additions	-	792	792
Disposals	(138)	(630)	(768)
At 31 December 2018	30	6,643	6,673
ACCUMULATED DEPRECIATION			
At 1 January 2018	135	4,089	4,224
Charge for the year	-	504	504
Disposals	(107)	(588)	(695)
At 31 December 2018	28	4,005	4,033
NET BOOK VALUE			
At 31 December 2018	2	2,638	2,640
At 31 December 2017	33	2,392	2,425

Under the terms of the Group's facilities agreement, the Company has a fixed and floating charge over the assets held by Group companies that are subject to the finance recourse group. As at 31st December 2018, the total value of property, plant and equipment subject to such charge was £2.6m (31 December 2017: £2.4m).

12. INVENTORIES

	31 December 2018 £'000	31 December 2017 £'000
Raw materials and consumables	271	339
Work in progress	247	166
Finished goods and goods for resale	2,694	2,790
	3,212	3,295

Provisions against inventory totalling £93,054 (31 December 2017: £129,974) were released to other operating expenses during the year.

13. TRADE AND OTHER RECEIVABLES

	31 December 2018 £'000	31 December 2017 (restated – note 21) £'000
Amounts falling due within one year:		
Trade receivables	3,396	3,904
Amounts owed by Group undertakings	6,593	5,212
Other receivables	255	49
Prepayments	485	474
Deferred tax (note 17)	433	539
	11,162	10,178

Amounts owed by Group undertakings are interest free, unsecured and receivable on demand.

Trade receivables are non-interest bearing and generally on 30-60 days' terms and are shown net of a bad debt provision of £20,000 (2017: £27,000) for estimated irrecoverable amounts based on age of debt and past default experience.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receiva bles have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a year of 12 months before 31 December 2017 and the corresponding historical credit losses experienced within this year. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. On that basis, the loss allowance as at 31 December 2018 and 31 December 2017 (on adoption of IFRS) was deemed to be not materially different to that provision carried under IAS 39. The default rate on receivables is less than 1% in both years.

The company applies the practical expedient in IFRS 9 (which allows the company to measure impairment using the 12 month Expected Credit Loss model) in respect of amounts owed by group undertakings, for those balances that meet the following requirements:

- it has a low risk of default;
- the counterparty is considered, in the short term, to have a strong capacity to meet its obligations in the near term; and
- the company expects, in the longer term, that adverse changes in economic and business conditions might, but will not necessarily, reduce the ability of the counterparty to fulfil its obligations.

For those balances where there is a higher risk of default the company follows the 3 stage approach within IFRS 9 to determine lifetime expected credit losses.

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. The maximum exposure to customer credit risk at the reporting date is the currency value of the trade receivables shown above.

14. CASH AND CASH EQUIVALENTS

	31 December 2018 £'000	31 December 2017 (restated – note 21) £'000
Cash at bank and in hand	2,054	1,505

15. CREDITORS

CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2018 £'000	31 December 2017 (restated – note 21) £'000
Trade creditors	3,721	3,105
Bank overdrafts	1,188	1,866
Amounts owed to Group undertakings	1,649	1,661
Other taxes and social security	441	492
Other creditors	228	343
Accruals	364	172
Contract liabilities	748	721
	8,339	8,360

The Company has recognised the following liabilities relating to contracts with customers:

	31 December 2018 £'000
Contract liabilities recognised at start of the year	721
Amounts invoiced in prior periods recognised as revenue in the current period	(721)
Amounts invoiced in the current period which will be recognised as revenue in later periods	748
Balance at the end of the year	**748**

Contract liabilities are expected to be recognised as revenue within 12 months of the period end.

CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 2018 £'000	31 December 2017 £'000
Other creditors	63	87
Amounts owed to Group undertakings	3,465	3,408
	3,528	3,495

Amounts owed to Group undertakings include a balance of £3,464,598 carrying interest at Bank of England base rate +5.5% (Year ending 31 December 2017: £3,408,154, carrying interest at EURIBOR +2%), which is unsecured and repayable on 30 September 2024. Remaining balances are interest free, and unsecured.

16. PROVISIONS FOR LIABILITIES

	Warranty	Dilapidations	Total
	£'000	£'000	£'000
At 1 January 2018	66	1,034	1,100
Charged to the income statement	4	-	4
Utilised during the year	-	(159)	(159)
At 31 December 2018	70	875	945

Analysis of total provision:

	£'000
Current	103
Non-Current	842
	945

As at 31 December 2018, £70,507 of warranty provision was included within accruals (2017: £66,000).

Warranty costs are provided for on the basis of known claims and on estimates, based upon past experience, of possible future claims which could arise over the life of the products sold.

Dilapidations relate to the cost of putting property back in its original condition at the end of its lease term.

It is expected that the warranty provision will be utilised within the next 4 years.

The dilapidation provision is expected to be utilised over the lease terms of the related properties.

17. DEFERRED TAXATION

Deferred taxation assets recognised in the financial statements

	31 December 2018	31 December 2017
	£'000	£'000
Depreciation in excess of capital allowances	427	535
Temporary differences (trading)	6	4
	433	539

17. DEFERRED TAXATION (continued)

Deferred tax assets	Fixed asset timing differences £'000s	Short term timing differences £'000s	Other £'000s	Total £'000s
At 1 January 2017	-	-	-	-
Credited to the income statement	(535)	(4)	-	(539)
At 31 December 2017	**(535)**	**(4)**	**-**	**(539)**
Charged/(credited) to the income statement	108	(2)	-	106
At 31 December 2018	**(427)**	**(6)**	**-**	**(433)**

The provision for deferred tax consists of the following deferred tax assets:

	2018 £'000	2017 £'000
Deferred tax assets due within 12 months	(6)	(4)
Deferred tax assets due > 12 months	(427)	(535)
Total deferred tax (asset) / liability	**(433)**	**(539)**

Deferred taxation not recognised in the financial statements

	31 December 2018 £'000	31 December 2017 £'000
Temporary differences	-	10

18. CALLED UP SHARE CAPITAL

ALLOTTED, ISSUED AND FULLY PAID

	31 December 2018 £'000	31 December 2017 £'000
250,000 (31 December 2017: 250,000) Ordinary shares of £1 each	250	250

19. LEASE COMMITMENTS

The Company has entered into operating leases on certain motor vehicles and items of machinery, with lease terms between three and ten years. The Company has the option, under some of its leases, to lease the assets for additional terms of three to five years.

Future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	31 December 2018 £'000	31 December 2017 £'000
Future minimum rentals payable under non-cancellable operating leases:		
Not later than one year	714	687
After one but not more than five years	1,464	2,039
After five years	60	220
	2,238	2,946

20. CONTINGENT LIABILITIES

Given the nature of its activities the Company has product related contingent liabilities. Whilst the Company makes provision for product liability issues, it is possible that an issue could arise that the Company was not aware of and for which provision may be required in a subsequent year.

The Company has cross-guaranteed the repayment of bank loans and overdrafts of certain entities in the Survitec Acquisition Company Limited group amounting to £448,872,000 (2017: £438,896,000).

The Company has guarantees and performance bonds outstanding amounting to £475,000 (2017: £628,139).

21. PRIOR PERIOD ADJUSTMENT

Incorrect classifications of cash and cash equivalents

As at 31 December 2017 the company had £4,407,000 of balances held with the Group's treasury function that were classified incorrectly as cash. Due to the company's right of offset with its bank, this has resulted in the following adjustments as at 31 December 2017:

a) "Amounts owed by group undertakings" within "trade and other receivables" increased by £4,407,000.
b) Cash and cash equivalents have decreased by £4,046,000;
c) 'Bank Overdrafts' within 'Creditors: amounts falling due within one year' have increased by £361,000

This restatement had no impact on retained earnings as at 1 January 2017 or 31 December 2017, nor on reported results for the year ended 31 December 2017.

Right of offset of cash and overdraft balances

The company has identified that it has offset cash and overdraft balances incorrectly as it does not have a legal right to do so under its banking arrangements. The impact of this prior year adjustment is as follows:

- Increase cash and bank overdrafts within "Creditors amounts falling due within one year" by £Nil as at 1 January 2017; and
- Increase cash and bank overdrafts within "Creditors amounts falling due within one year" by £1,505,000 as at 31 December 2017.

This prior year adjustment had no impact on shareholders' funds as at 1 January 2017 or 31 December 2017, nor on reported profits for the year ended 31 December 2017.

22. ULTIMATE PARENT COMPANY

Survitec Group Limited, is the Company's immediate parent undertaking, which is incorporated in United Kingdom.

The Company's ultimate parent undertaking is Onex Corporation, a listed private equity firm in Canada.

The smallest group in which the results of the Company are consolidated is that headed by Survitec Acquisition Company Limited, a company incorporated in the United Kingdom. Copies of these consolidated financial statements can be obtained from the Company Secretary, c/o Survitec Group Limited, Kingsway, Dunmurry, Belfast BT17 9AF. The largest group in which the results of the Company are consolidated is that headed by Onex Corporation. Copies of these consolidated financial statements can be obtained from the Company Secretary, c/o Onex Corporation, 161 Bay Street, P.O. Box 700, Toronto, Ontario, M5J 2S1.

23. ULTIMATE CONTROLLING COMPANY

The Company's ultimate controlling party is Onex Corporation, a Canadian publicly listed entity.