Registration number: 00553893

Survitec Service & Distribution Limited

Annual Report and Unaudited Financial Statements

for the year ended 31 December 2022

Survitec Service & Distribution Limited

Contents

Survitec Service & Distribution Limited

Company Information

Directors	C H Sada R S Kledal R Vettese
Registered office	Aviation Industrial Park Eric Fountain Road Ellesmere Port England CH65 1AX
Solicitors	Kirkland & Ellis International LLP 30 St. Mary Axe London EC3A 8AF

Survitec Service & Distribution Limited

Strategic Report for the Year Ended 31 December 2022

The Directors present their Strategic Report for the year ended 31 December 2022.

Principal activities
The principal activity of the Company is the supply and servicing of safety at sea equipment, protective clothing, fibre products and commercial fishing gear.

Fair review of the business
The key performance indicators are revenue, profit before taxation and operating profit before depreciation, impairment and amortisation (adjusted EBITDA). The trading results of the Company show revenue for the year of £30,812,000 (31 December 2021: £31,338,000) and loss before taxation for the year of (£900,000) (31 December 2021: profit £2,814,000).

Adjusted EBITDA for the year ended 31 December 2022 is £1,035,000 (31 December 2021: £1,227,000). Adjusted EBITDA for the year is calculated as follows:

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Operating (loss)/profit	(833)	2,931
Add back: Depreciation and amortisation	842	994
Add back impairment/(Deduct reversal of impairment)	1,028	(2,698)
Adjusted EBITDA	1,037	1,227

The Company's statement of financial position shows that the Company's Net Assets have decreased by £793,000, from £9,729,000 at 31 December 2021 to £8,937,000 at 31 December 2022. This is due to the loss generated in the year and includes an impairment in amounts owed to group undertakings of £1,028,000 (31 December 2021: reversal of impairment of £2,698,000).

Company employees
The Company employed a monthly average of 178 (31 December 2021: 173) employees in the current year.

Principal risks and uncertainties
The Company operates in competitive markets which is a continuing risk to the Company as sales could be lost to competitors. The Company manages this risk by providing a high standard of service to its customers, investing in new and existing products, responding quickly to customer 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 and existing 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, development and quality controls and standards to ensure that its products meet all regulatory requirements and perform reliably when required.

Approved by the Board on 11 August 2023 and signed on its behalf by:

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R S Kledal

Director

Survitec Service & Distribution Limited

Directors' Report for the Year Ended 31 December 2022

The Directors present their report and the unaudited financial statements for the year ended 31 December 2022.

Directors of the Company
The directors, who held office during the year, and up to the date of signing the financial statements were as follows:

S K Devani (resigned 26 January 2022)

L E McClelland (resigned 31 March 2023)

C H Sada (appointed 26 January 2022)

The following directors were appointed after the year end:

R S Kledal (appointed 31 March 2023)

R Vettese (appointed 26 May 2023)

Business review
The key performance indicators for the Company are revenue, profit before taxation, and adjusted EBITDA. The trading results of the Company for the year show revenue of £30,812,000 (31 December 2021: £31,338,000). The Company's result shows loss after tax for the year ended 31 December 2022 of £792,000 (31 December 2021: profit after tax of £3,271,000) which is impacted by an impairment charge against amounts owed to group undertakings of £1,028,000 (31 December 2021: impairment reversal of £2,698,000).

Business conduct
The Directors are committed to and responsible for ensuring that the Company conducts itself in accordance with the highest standards of integrity and transparency. The Company complies with all relevant anti-bribery and corruption legislation, including the UK Bribery Act 2010 and all relevant trade sanctions and export controls. The larger Group to which the Company is a member, has an International Compliance Policy that takes account of relevant anti-bribery, corruption, sanctions and export legislation. The Directors recognise that they are responsible for overseeing this policy and ensuring its implementation throughout all Group entities.

Dividends
No interim dividend was paid on the ordinary shares during the year ended 31 December 2022 (31 December 2021: £Nil). The Directors do not recommend a final dividend for the year ended 31 December 2022 (31 December 2021: £Nil).

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

The Company is a wholly owned subsidiary of Survitec Acquisition Company Limited (together with its subsidiaries, the "Group"). The Group has a net asset position as at 31 December 2022 (31 December 2021: net asset position).

As at 31 December 2022, the Company had net current assets (31 December 2021: net current assets). 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 if a member of the Survitec Group defaults on obligations contained in the facilities agreement and liquidity and guarantees provided by the Group Treasury function, if and/or when required, would not be available. The Company has received a letter of support from Survitec Acquisition Company Limited which states the Directors' intention to provide sufficient funding to the Company for a period of at least 12 months from the date these financial statements are signed, to allow the Company to settle its liabilities as they fall due. This support extends to intercompany liabilities that won't be recalled unless the Company has the ability to settle them. Below, the Directors' have considered the ability of the Group to provide this support.

Going concern (continued)

The Group experienced significant liquidity and covenant challenges during the financial period. The Group is currently in the process of implementing operational and commercial initiatives to improve the profitability and cash generation of the business following a change in executive management in recent months. A targeted working capital programme is also underway to reduce inventory levels and improve the Group's net working capital position.

The drawdown of new shareholder convertible loan notes totalling £30,000,000 took place in the year and a further £20,000,000 of shareholder convertible loan notes have been drawn down in June 2023.

During June 2023, the Group successfully negotiated a reset of the financial covenants under the Group's external loan and RCF for periods up to and including 30 September **2024** as well as certain other amendments to provide increased financial headroom to the Group. This included amendments to the covenant tests as at December 2022 and March 2023. As conditions of the amendment to the Group's facilities existing shareholder convertible loan notes totalling £50,600,000 will be converted into equity and the £12,500,000 RCF which is due for repayment in August 2023 is to be replaced with a new facility provided by the Group's primary lending syndicate.

Additionally, the Group also negotiated a new interest Payment-in-Kind ("PIK") tranche under the Unitranche Facility totalling £50,000,000. The facility will be available for use from August 2023. The amounts under this new tranche are excluded from the revised leverage covenant calculation.

Basis of going concern statement

In reviewing the appropriateness of the Going Concern assumption, Group Management has prepared forecasts covering the period to 30 September 2024 (the "Going Concern period"). The base case forecasts demonstrate that the Group is expected to generate profits and cash during the Going Concern period and beyond, and that the Group has sufficient cash reserves to enable the Group to meet its obligations as they fall due over a period of at least 12 months from the date of signing of these financial statements.

The forecasts have been further sensitised to reflect severe but plausible downside scenarios. The forecasts indicate sufficient headroom on the Group's new facilities through to 30 September 2024, as well as compliance with all banking covenants. On this basis, the Directors continue to adopt the going concern basis in preparing these financial statements.

Under the severe but plausible downside case, the sufficiency of the Group's liquidity and its ability to remain in compliance with its financial covenants is determined by assumptions that have been made regarding the pace at which the new management team i) can achieve the planned improvements in revenues and gross margins; ii) deliver the planned operational and commercial initiatives, which when taken together will drive improvements in profitability, and iii) can improve the Group's cash generation through improvements in working capital management, particularly through the normalisation of inventory levels.

The Directors consider that a delay in the achievement or otherwise of these assumptions could impact on the Group's liquidity and its ability to remain in compliance with its financial covenants, and this therefore indicates the existence of a material uncertainty that may cast significant doubt on the ability of the Group to continue as a Going Concern. The financial statements therefore do not include adjustments that would result if the Group and Company were unable to continue as a Going Concern.

Financial Risk Management

Objectives and policies

The Company's activities expose it to a number of financial risks including foreign exchange rate risk, credit risk, liquidity 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 headquartered in the UK, operates in geographically diverse locations, with 20.8% (31 December 2021: 22.5%) of its sales being made outside the UK. It is therefore exposed to movements in exchange rates. The Company seeks to minimise this impact on its local operations by the use of multi-sourcing of its key materials.

Credit risk

The Company's principal financial assets are cash and cash equivalents and trade and other receivables. The Company has adopted a policy of only holding cash with creditworthy counterparties. Credit risk for the Company is primarily attributed to trade receivables. The amount presented in the financial statements is net of expected credit loss provisions. The Company has implemented policies that require appropriate credit checks on potential customers before sales are made, and at times new customers will be required to make advance payments where credit-worthiness cannot be established. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

The Company generates funds to finance its ongoing operations through its operating performance. In the unlikely event of needing extra funds, the Company has access to sufficient available funds from Group undertakings for operations and planned expansion.

In September 2022, the company entered into a non-recourse revolving receivables financing facility to further aid the management of liquidity risk.

Interest rate risk

The Company has both interest-bearing and non-interest bearing assets and liabilities. Interest bearing assets include cash balances and amounts owed by group undertakings, all of which earn interest at fixed rates. Interest bearing liabilities relate mainly to bank overdrafts, leases and amounts owed to group undertakings. The bank overdrafts are subject to interest at a variable rate.

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.

Political donations

There were no political donations made or political expenditure incurred by the Company during the year ended 31 December 2022 (31 December 2021: £Nil).

Employment of disabled persons

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 potential for promotion. Full and fair consideration is also given to the employment of applicants who are disabled persons, taking into account their aptitudes and abilities.

Survitec Service & Distribution Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Employee involvement
The Company has continued its practice of keeping employees informed of matters affecting them as employees, and the financial and economic factors affecting the performance of the Company.

Directors and Management consider the interests of employees when taking principle decisions. Employees are kept informed of any relevant information through regular management and employee review meetings, and through Group-wide briefings. Regular consultation is encouraged between Management and employees at each of the Company's operating locations.

Future developments
Looking forward to future financial periods there are strong revenue growth and cost reduction opportunities for the business to pursue both organically, inorganically and through new and existing product development.

Macroeconomic factors of high inflation across labour, products and commodities within the current recessionary environment has created margin erosion and working capital constraints in the Company.

Management are taking active steps to reduce inventory levels, thus improving the working capital position and continuing the procurement rationalisation and pricing initiatives, to drive a lower cost base. The Board and Executive team across the Survitec Group continue to monitor all trading aspects of the Company to mitigate any associated risks and manage any potential exposure to its business operations.

The Company will continue to invest in the continued enhancement of manufacturing and supply chain operations, giving the business the opportunity to meet customer demands while reducing cost and improving working capital management. Targeted cost reduction
opportunities for the business will be pursued.

Directors' liabilities
In accordance with section 234 of the Companies Act 2006 the Company 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.

Approved by the Board on 11 August 2023 and signed on its behalf by:

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R S Kledal
Director

Survitec Service & Distribution Limited

Statement of Directors' Responsibilities in respect of the financial statements

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, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing 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.

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.

Approved by the Board on 11 August 2023 and signed on its behalf by:

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R S Kledal
Director

Survitec Service & Distribution Limited

Income Statement for the Year Ended 31 December 2022

	Note	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Revenue	4	30,812	31,338
Changes in inventories of finished goods and work in progress		(1,867)	(573)
Raw materials and consumables used		(18,025)	(19,840)
Employee benefits expense	5	(4,872)	(4,795)
Depreciation and amortisation expense	7	(842)	(994)
(Impairments) / reversal of impairments of amounts owed by group undertakings	7	(1,028)	2,698
Other operating expenses		(5,011)	(4,903)
Operating (loss)/profit	7	(833)	2,931
Finance costs	8	(67)	(117)
(Loss)/profit before tax		(900)	2,814
Income tax credit	9	108	457
(Loss)/profit for the financial year		(792)	3,271

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

Survitec Service & Distribution Limited

(Registration number: 00553893)
Statement of Financial Position as at 31 December 2022

	Note	31 December 2022 £ 000	31 December 2021 £ 000
Assets			
Fixed assets			
Intangible assets	10	-	1
Tangible assets	11	2,338	2,108
Right of use assets	12	620	1,345
		2,958	3,454
Current assets			
Inventories	13	5,112	3,243
Trade and other receivables	14	9,500	15,962
Cash and cash equivalents	15	10,973	162
Deferred tax assets	9	1,662	1,554
		27,247	20,921
Total assets		30,205	24,375
Equity and liabilities			
Equity			
Called up share capital	16	250	250
Accumulated profits	17	8,687	9,479
		8,937	9,729
Creditors: amounts falling due within one year			
Lease liabilities	18	257	306
Trade and other payables	19	7,749	9,204
Contract liabilities	19	1,174	928
Loans and borrowings	20	10,329	1,730
Provisions	21	990	992
		20,499	13,160
Creditors: amounts falling due after more than one year			
Lease liabilities	18	397	1,038
Provisions	21	372	448
		769	1,486
Total liabilities		21,268	14,646
Total equity and liabilities		30,205	24,375

The notes on pages 13 to 40 form an integral part of these financial statements.

Survitec Service & Distribution Limited

(Registration number: 00553893)
Statement of Financial Position as at 31 December 2022 (continued)

For the financial year ending 31 December 2022 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Approved by the Board on 11 August 2023 and signed on its behalf by:

....

R S Kledal
Director

Survitec Service & Distribution Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2022	250	9,479	9,729
Loss for the year	-	(792)	(792)
Total comprehensive income	-	(792)	(792)
At 31 December 2022	250	8,687	8,937

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2021	250	6,208	6,458
Profit for the year	-	3,271	3,271
Total comprehensive income	-	3,271	3,271
At 31 December 2021	250	9,479	9,729

The notes on pages 13 to 40 form an integral part of these financial statements.

1 General information

The Company is a private company limited by share capital, incorporated and domiciled in United Kingdom.

The address of its registered office is:
Aviation Industrial Park
Eric Fountain Road
Ellesmere Port
England
CH65 1AX

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 Accounting policies

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

Basis of preparation
The financial statements have been prepared under the historical cost convention and in accordance with Financing Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101) and 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. Please see note 3 for further details.

The financial statements are presented in 'Pounds Sterling' (£). All amounts in the financial statements are rounded to the nearest £'000, unless otherwise stated.

Summary of disclosure exemptions
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 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);

- 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 period);

2 Accounting policies (continued)

Summary of disclosure exemptions (continued)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
i) 10(d), (statement of cash flows);
ii) 10(f) (a statement of financial position as at the beginning of the preceding period 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);
iii) 16 (statement of compliance with all IFRS);
iv) 111 (cash flow statement information), and;
v) 134 - 136 (capital management disclosures).
vi) 38A (requirement for minimum of two primary statements, including cash flow statements), and;
vii) 38B-D (additional comparative information);

- 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-c) (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.

New standards, amendments, IFRIC interpretations and new relevant disclosure requirements
There are no amendments to the accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2022, that have a material impact on the Company's financial statements.

2 Accounting policies (continued)

Going concern

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

The Company is a wholly owned subsidiary of Survitec Acquisition Company Limited (together with its subsidiaries the "Survitec Group"). The Group has a net asset position as at 31 December 2022 (31 December 2021: net asset position).

As at 31 December 2022, the Company had net assets (2021: net current assets). 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 if a member of the Survitec Group defaults on obligations contained in the facilities agreement and liquidity and guarantees provided by the Group Treasury function, if and/or when required, would not be available. The Company has received a letter of support from Survitec Acquisition Company Limited which states the Directors' intention to provide sufficient funding to the Company for a period of at least 12 months from the date these financial statements are signed, to allow the Company to settle its liabilities as they fall due. This support extends to intercompany liabilities that won't be recalled unless the Company has the ability to settle them. Below, the Directors' have considered the ability of the Group to provide this support.

The Group experienced significant liquidity and covenant challenges during the financial period. The Group is currently in the process of implementing operational and commercial initiatives to improve the profitability and cash generation of the business following a change in executive management in recent months. A targeted working capital programme is also underway to reduce inventory levels and improve the Group's net working capital position.

The drawdown of new shareholder convertible loan notes totalling £30,000,000 took place in the year and a further £20,000,000 of shareholder convertible loan notes have been drawn down in June 2023.

During June 2023, the Group successfully negotiated a reset of the financial covenants under the Group's external loan and RCF for periods up to and including 30 September 2024 as well as certain other amendments to provide increased financial headroom to the Group. This included amendments to the covenant tests as at December 2022 and March 2023. As conditions of the amendment to the Group's facilities existing shareholder convertible loan notes totalling £50,600,000 will be converted into equity and the £12,500,000 RCF which is due for repayment in August 2023 is to be replaced with a new facility provided by the Group's primary lending syndicate.

Additionally, the Group also negotiated a new interest Payment-in-Kind ("PIK") tranche under the Unitranche Facility totalling £50,000,000. The facility will be available for use from August 2023. The amounts under this new tranche are excluded from the revised leverage covenant calculation.

2 Accounting policies (continued)

Going concern (continued)
Basis of going concern statement

In reviewing the appropriateness of the Going Concern assumption, Group Management has prepared forecasts covering the period to 30 September 2024 (the "Going Concern period"). The base case forecasts demonstrate that the Group is expected to generate profits and cash during the Going Concern period and beyond, and that the Group has sufficient cash reserves to enable the Group to meet its obligations as they fall due over a period of at least 12 months from the date of signing of these financial statements.

The forecasts have been further sensitised to reflect severe but plausible downside scenarios. The forecasts indicate sufficient headroom on the Group's new facilities through to 30 September 2024, as well as compliance with all banking covenants. On this basis, the Directors continue to adopt the going concern basis in preparing these financial statements.

Under the severe but plausible downside case, the sufficiency of the Group's liquidity and its ability to remain in compliance with its financial covenants is determined by assumptions that have been made regarding the pace at which the new management team i) can achieve the planned improvements in revenues and gross margins; ii) deliver the planned operational and commercial initiatives, which when taken together will drive improvements in profitability, and iii) can improve the Group's cash generation through improvements in working capital management, particularly through the normalisation of inventory levels.

The Directors consider that a delay in the achievement or otherwise of these assumptions could impact on the Group's liquidity and its ability to remain in compliance with its financial covenants, and this therefore indicates the existence of a material uncertainty that may cast significant doubt on the ability of the Group to continue as a Going Concern. The financial statements therefore do not include adjustments that would result if the Group and Company were unable to continue as a Going Concern.

Foreign currency transactions and balances
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.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within 'Other (expenses)/income'.

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

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

2 Accounting policies (continued)

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.

Revenue Recognition (continued)

Sale of good 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 the recognition policy as per 'Sales of goods'.

Revenue in respect of installation is recognised over the period of the installation service and revenue in respect of training is recognised over the period of the training as installation services enhance customer assets, whilst training & services are simultaneously received and consumed by the customer.

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.

Leasing rental income

The Company recognised revenue in line with IAS 17 until 31 December 2018 before transitioning to IFRS 16 from 1 January 2019, this transition had no impact on lessor accounting. Revenue is recognised on a straight line basis over the specified period of performance of the service except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are earned. Contingent rentals arising under operating leases are recognised as income in the period in which they crystallise.

2 Accounting policies (continued)

Impairment of non-financial assets

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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost 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 the revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Impairment of non-financial assets (continued)

Prior impairments of non-financial assets (other than goodwill) 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 periods. 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.

Internally generated development expenses that have been capitalised and that are not yet brought into use are tested annually for impairment per IAS 36.

Government grants

Grants from the government are recognised at their fair value in profit or loss where there is a reasonable assurance that the grant will be received and the group has complied with all attached conditions. Grants received where the group has yet to comply with all attached conditions are recognised as a liability (and included in deferred income within trade and other payables) and released to income when all attached conditions have been complied with.

Government grants relating to the purchase of intangible assets are included in non-current liabilities as deferred income, and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

Grants relating to COVID-19 support measures made available by governments in territories where the Company operates have been received in the prior year. These schemes have been utilised to compensate for staff costs, and amounts received have been recognised gross within other operating income in the same period as the costs to which they relate.

Dividends

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

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.

2 Accounting policies (continued)

Tax

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

The current 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 periodically 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.

2 Accounting policies (continued)

Tax (continued)

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 is measured on a non-discounted basis.

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. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income 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 Group intends to settle its current tax assets and liabilities on a net basis.

Intangible Assets

Development expenditure

Research and development activities are typically self-initiated in nature. Costs for self-initiated 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.

2 Accounting policies (continued)

Intangible Assets (continued)

Development expenditure (continued)

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.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Assets are amortised once they are in use.

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 Company are recognised as intangible assets when the following criteria are met:

• 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.

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

Property, plant and equipment

Property, plant and equipment is shown at historical cost less subsequent depreciation. 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.

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.

2 Accounting policies (continued)

Property, plant and equipment (continued)

Depreciation

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

Asset class	***Depreciation method and rate***
Plant and machinery	10-40% per annum

Right of use assets

Right of use assets are stated in the statement of financial position at the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received.

The depreciation period for the right of use asset is from the lease commencement date to the earlier of the end of the lease term or the end of the useful economic life of the asset. Where it is reasonably certain that the Company will exercise an option to purchase the asset, the depreciation period is through the end of the asset's useful economic life.

Inventories

Inventories are stated at the lower of cost and net realisable value.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in the income statement.

Provisions against inventories are charged (credited if released) to the income statement within the category 'Other Operating expenses'.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Company assesses impairments based on the lifetime expected credit loss. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the transaction. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses. Please refer to note 3 for details on how the Company assesses for impairment of amounts owed by group undertakings.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. In the Statement of Financial Position, bank overdrafts are shown within borrowings in current liabilities.

2 Accounting policies (continued)

Share capital

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

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Leases

Initial recognition and measurement

The Company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the Company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

2 Accounting policies (continued)

Leases (continued)

Subsequent measurement
After the commencement date, the Company measures the lease liability by:

(a) Increasing the carrying amount to reflect interest on the lease liability;

(b) Reducing the carrying amount to reflect the lease payments made; and

(c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Lease modifications
If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

For all lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

Short term and low value leases
The Company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases) or low value leases.

Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in other operating expenses in the income statement.

Defined contribution pension obligation
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.

2 Accounting policies (continued)

Provisions

a) Warranty

Due to the nature of products manufactured by the Company, warranty provisions are recognised when there is an expectation of a constructive or legal obligation on the Company to rectify any issues identified on the part of their customers. The provision is best estimated based on known claims and on estimates based upon past experience, of possible future claims which could arise over the life of the products sold. Please also refer to note 3 'Critical accounting judgements and key sources of estimation uncertainty'.

b) Dilapidations

Within the Company there are a number of properties under repairing lease arrangements requiring the properties to be reinstated to their original state when vacating the property. A provision is recognised for the full value of the reparation to the buildings' original configuration. The provision is estimated using third party valuations from prior periods, updated for any changes in building condition and configuration.

Provisions are discounted to their present values, where the time value of money is material. The discount rate is the pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability.

Financial instruments

Initial recognition

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, trade and other receivables and contract assets. Financial liabilities of the Company include trade and other payables, amounts due to group undertakings and obligations under leases and borrowings.

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.

Regular way purchases and sales of financial assets are recognised on the trade date at which the commitment to purchase or sell the asset is made.

Classification and measurement

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

i) Those to be measured at amortised cost; and

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

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

Subsequent measurement

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

2 Accounting policies (continued)

Financial instruments (continued)

Financial assets at amortised cost
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. Any gains or losses arising on derecognition is recognised directly in profit or loss Impairment losses are presented as a separate line in the income statement.

Other financial liabilities
The Company only has financial liabilities classified at amortised cost. 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 .

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 the majority of trade receivables the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. The Company also reviews the expected credit loss associated with trade receivables by considering Stages 2 and 3 of IFRS 9, whereby the Company calculates expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the transaction. For other receivables the Company applies the three stage model to determine expected credit losses.

Derecognition

Financial assets

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. Where the Company has entered into a factoring arrangement, the financial assets are derecognised at the point of entering into the arrangement.

Financial liabilities

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.

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements:

Critical accounting judgements

Recognition of deferred tax asset

As stated in Note 9, deferred taxation assets of £1,662,000 have been recognised as at 31 December 2022 (31 December 2021: £1,554,000). Due to the forecast profitability profile of the Company, it is considered 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.

No deferred tax asset assets have been recognised on amounts arising under the UK's Corporate Interest Restriction regime or tax losses arising before April 2017. The conditions under which these assets would be recoverable are not considered probable at this time.

Critical accounting estimates

Provisions - Dilapidation

There are a number of properties under repairing lease arrangements requiring the properties to be reinstated to their original state when vacating the property. Provision has been made for the full value of reparation to the buildings' original configuration. 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 current periods, updated for changes in building condition and configuration.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of amounts owed by group undertakings

The Company reviews amounts due from group undertakings for any indication of an expected credit loss under IFRS 9.

There are three trading divisions of the Group, Marine, Defence and Hansen Protection. The determination of the recoverable amount of the Subsidiaries to which investment is allocated involves the use of estimates by management and is considered separately for the three trading divisions. Management have considered different options for recoverability of the balances and disposal is considered most likely. The carrying amount of the Company's investment in its subsidiaries is compared to its recoverable amount, being the higher of value in use and fair value less costs to sell, to determine if an impairment or expected credit loss exists. In assessing fair value, the Company gives consideration to the likely EBITDA multiple that would be realised through sale. The EBITDA multiples for each of the trading divisions is calculated separately. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any investment impairment or expected credit losses in relation to amounts owed by group undertakings.

An expected credit loss review was carried out on the Company's loans due from group undertakings, in line with IFRS 9. To consider the impairment of the Company's expected credit loss of loans to group undertakings the fair value of the group company was compared to the Company's loan to the group company. On this basis, an increase in expected credit losses of £1,028,000 (31 December 2021: a reversal in expected credit loss of £2,698,000) has been recognised.

A sensitivity analysis has also been performed on the impairment review. If the enterprise values of the Group increased by £10,000,000 this would increase the reversal of impairment against intercompany receivables by less than £1,000. If the enterprise values of the Group decreased by £10,000,000 this would decrease the reversal of impairment against intercompany receivables by less than £1,000.

4 Revenue

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

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Revenue from contracts with customers	30,812	29,224
Leasing	-	2,114
	30,812	31,338

The analysis of the Company's turnover for the year by geography is as follows:

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
UK	24,408	24,290
Rest of world	6,404	7,048
	30,812	31,338

5 Employee benefits expense

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

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Wages and salaries	4,311	4,170
Social security costs	370	426
Pension costs, defined contribution scheme	191	199
	4,872	4,795

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

	Year ended 31 December 2022 No.	Year ended 31 December 2021 No.
Management and administration	39	48
Sales and distribution	139	125
	178	173

6 Directors' remuneration

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. The Company's Directors provide services to 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.

7 Operating (loss)/profit

Arrived at after charging/(crediting)

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Depreciation expense	411	451
Depreciation on right of use assets	430	541
Amortisation expense	1	2
Impairment charge/(reversal)	1,028	(2,698)
Foreign exchange losses	52	16
Loss/(gain) on disposal of property, plant and equipment	84	(3)

8 Finance costs

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Interest expense on leases	67	117

9 Income tax

Tax credit in the income statement

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Current taxation		
UK corporation tax	-	11
Deferred taxation		
Arising from origination and reversal of temporary differences	(108)	(101)
Arising from changes in tax rates and laws	-	(373)
Adjustments in respect of prior periods	-	6
Total deferred taxation	(108)	(468)
Tax credit in the income statement	(108)	(457)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (31 December 2021: lower than the standard rate of corporation tax in the UK) of 19% (31 December 2021: 19%).

The differences are reconciled below:

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
(Loss)/profit before tax	(900)	2,814
Corporation tax at standard rate	(171)	535
(Decrease)/increase in current tax from adjustment for prior periods	(5)	6
Decrease from effect of different UK tax rates on some earnings	(25)	(373)
Increase/(decrease) from effect of adjustment in research development tax credit	196	(513)
Decrease arising from group relief tax reconciliation	(113)	(125)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	10	13
Total tax credit	(108)	(457)

During 2021, the UK Government announced and enacted that from 1 April 2023 the main rate of corporation tax will increase from 19% to 25%. As this rate change has been substantively enacted during 2021, its effect has been considered within these financial statements.

9 Income tax (continued)

Deferred tax asset

Deferred tax movement during the year:

	At 1 January 2022 £ 000	Recognised in income £ 000	At 31 December 2022 £ 000
Depreciation in excess of capital allowances	1,524	127	1,651
Temporary differences (trading)	30	(19)	11
Net tax assets/(liabilities)	1,554	108	1,662

Deferred tax movement during the prior year:

	At 1 January 2021 £ 000	Recognised in income £ 000	At 31 December 2021 £ 000
Depreciation in excess of capital allowances	1,078	446	1,524
Temporary differences (trading)	8	22	30
Net tax assets/(liabilities)	1,086	468	1,554

10 Intangible assets

	Computer Software £ 000	Development expenditure £ 000	Total £ 000
Cost or valuation			
At 1 January 2022	731	553	1,284
At 31 December 2022	731	553	1,284
Amortisation			
At 1 January 2022	730	553	1,283
Amortisation charge	1	-	1
At 31 December 2022	731	553	1,284
Carrying amount			
At 31 December 2022	-	-	-
At 31 December 2021	1	-	1

Under the terms of the Groups's facilities agreement, the Company has granted a fixed and floating charge over the assets held by the Company that are subject to the finance recourse group. As at 31 December 2022 the total value of intangible assets subject to such charge was £Nil (31 December 2021: £1,000).

11 Property, plant and equipment

	Plant and machinery £ 000	Total £ 000
Cost		
At 1 January 2022	6,791	6,791
Additions	738	738
Disposals	(299)	(299)
At 31 December 2022	7,230	7,230
Depreciation		
At 1 January 2022	4,683	4,683
Charge for the year	411	411
Eliminated on disposal	(202)	(202)
At 31 December 2022	4,892	4,892
Carrying amount		
At 31 December 2022	2,338	2,338
At 31 December 2021	2,108	2,108

Plant and machinery includes computer equipment, motor vehicles and survival suits.

Under the terms of the Group's facilities agreement, the Company has a fixed and floating charge over the assets held by the Company that are subject to the finance recourse group. As at 31 December 2022, the total value of property, plant and equipment subject to such charge was £2,338,000 (31 December 2021: £2,108,000).

12 Right of use assets

	Property £ 000	Other £ 000	Total £ 000
Cost or valuation			
At 1 January 2021	1,854	572	2,426
Additions	28	259	287
Disposals	(216)	(242)	(458)
At 31 December 2021	1,666	589	2,255
At 1 January 2022	1,666	589	2,255
Disposals	(429)	(103)	(532)
At 31 December 2022	1,237	486	1,723
Depreciation			
At 1 January 2021	533	294	827
Charge for year	287	254	541
Eliminated on disposal	(216)	(242)	(458)
At 31 December 2021	604	306	910
At 1 January 2022	604	306	910
Charge for the year	225	205	430
Eliminated on disposal	(135)	(102)	(237)
At 31 December 2022	694	409	1,103
Carrying amount			
At 31 December 2022	543	77	620
At 31 December 2021	1,062	283	1,345

13 Inventories

	31 December 2022 £ 000	31 December 2021 £ 000
Raw materials and consumables	618	759
Work in progress	56	12
Finished goods and goods for resale	4,438	2,472
	5,112	3,243

Provisions against inventory have been charged in the year totalling £161,000 (31 December 2021: £25,000 credited) to raw materials and consumables during the year. Provisions against finished good for resale inventory as at 31 December 2022 are £600,000 (31 December 2021: £410,000).

14 Trade and other receivables

	31 December 2022 £ 000	31 December 2021 £ 000
Gross trade receivables	2,279	4,123
Provision for impairment of gross trade receivables	(22)	(10)
Trade receivables	2,257	4,113
Amounts owed by Group undertakings	5,407	11,326
Prepayments	787	404
Other receivables	1,049	119
	9,500	15,962

The Company applies IFRS 9 when measuring expected credit losses for all trade receivables. To measure the expected credit losses, trade receivables 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 period of 12 months before 31 December 2022 and the corresponding historical credit losses experienced within this period. 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. The default rate on receivables during the period is <1% (31 December 2021: <1%).

The Company has considered the expected credit loss of amount due from group undertakings in accordance with IFRS 9. These amounts are due on demand and the Company has assessed as to whether the group undertakings have sufficient liquid resources to pay this balance upon request.. The total provision carried against these amounts is £1,377,000 (31 December 2021: £346,000) with an impairment charge of £1,028,000 (31 December 2021: reversal of £2,698,000) recognised to the income statement in the year.

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

15 Cash and cash equivalents

	31 December 2022 £ 000	31 December 2021 £ 000
Cash at bank	10,973	162
Bank overdrafts (see Note 20)	(10,329)	(1,730)
Cash at bank and in hand	644	(1,568)

16 Called up share capital

Allotted, called up and fully paid shares

	31 December 2022 No. 000	31 December 2022 £ 000	31 December 2021 No. 000	31 December 2021 £ 000
Ordinary Shares of £1 each	250	250	250	250

17 Reserves

Retained earnings

The retained earnings reserve represents cumulative profits or losses, net of any dividends paid and other adjustments.

18 Lease liabilities

For details of Right of Use Assets, see Note 12. The details of lease liabilities are set out below.

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	31 December 2022 £ 000	31 December 2021 £ 000
Less than one year	257	306
2 years	397	1,038
Total lease liabilities (undiscounted)	654	1,344

18 Lease liabilities (continued)

Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

Payment	31 December 2022 £ 000	31 December 2021 £ 000
Payment of capital element of lease liabilities	322	653
Interest	67	117
Total cash outflow	389	770

19 Trade and other payables

	31 December 2022 £ 000	31 December 2021 £ 000
Trade Payables	2,807	2,680
Amounts due to Group undertakings	3,719	4,887
Social security and other taxes	133	586
Other Payables	546	553
Accrued expenses	544	498
	7,749	9,204

Amounts owed to Group undertakings are unsecured and repayable on demand. These balances carry an interest rate between 0% - 12% (31 December 2021: 0% - 6%).

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

	31 December 2022 £ 000	31 December 2021 £ 000
Contract liabilities recognised at the start of the year	15,191	1,437
Revenue recognised that was included in contract liabilities at the beginning of the period	(15,191)	(1,437)
Amounts invoiced during the year which did not meet revenue recognition criteria during the year	1,174	928
Balance at the end of the year	**1,174**	**928**

Contract liabilities are expected to unwind within 12 months of the year end.

20 Loans and borrowings

	31 December 2022 £ 000	31 December 2021 £ 000
Current loans and borrowings		
Bank overdrafts	10,329	1,730

21 Provisions

	Warranties £ 000	Dilapidations £ 000	Total £ 000
At 1 January 2022	70	1,370	1,440
Increase in existing provisions	22	-	22
Provisions used	(17)	(83)	(100)
At 31 December 2022	75	1,287	1,362
Non-current liabilities	-	372	372
Current liabilities	76	914	990

	Warranties £ 000	Dilapidations £ 000	Total £ 000
At 1 January 2021	65	1,173	1,238
Increase in existing provisions	5	197	202
At 31 December 2021	70	1,370	1,440
Non-current liabilities	-	448	448
Current liabilities	70	922	992

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. It is expected that the warranty provision will be released when the warranty expires.

Dilapidations relate to the cost of putting property back in its original condition at the end of its lease term. The dilapidation provision is expected to be utilised over the lease terms of the related properties.

22 Contingent liabilities

The Company has guarantees and performance bonds outstanding amounting to £Nil (31 December 2021: £37,500).

The Company has cross-guaranteed the repayment of bank loans of certain entities in the Survitec Acquisition Company Limited group amounting to £273,400,000 (31 December 2021: £270,000,000).

23 Parent and ultimate parent undertaking

The Company's immediate parent is Survitec Group Limited.

The ultimate parent company of the Company is Ark Topco Limited, a private company registered in Jersey.

The largest Group into which the Company's financial statements are consolidated is Survitec Acquisition Company Limited. The consolidated financial statements are available at the Internet address *http://find-and-update.company-information.service.gov.uk/, or upon request at the Company's registered office* (Aviation Industrial Park, Eric Fountain Road, Ellesmere Port, England, CH65 1AX).