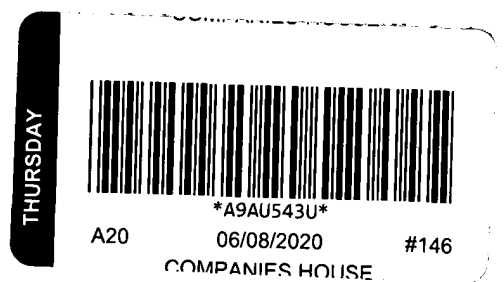


Registered Number: 04008521

Seal Analytical Limited
Annual report and financial statements
for the year ended 30 November 2019



Seal Analytical Limited

Annual report and financial statements for the year ended 30 November 2019

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Seal Analytical Limited

Directors and advisers for the year ended 30 November 2019

Directors

B D W Stocks

C P Tyler

I Stirling

Company Secretary

S Rodgers

Registered office

7 Regis Place

Bergen Way

King's Lynn

Norfolk

PE30 2JN

Independent auditor

Deloitte LLP

1 Station Square

Cambridge

CB1 2GA

Bankers

Barclays Bank plc

PO Box 885

Mortlock House

Station Road

Histon

Cambridge

CB24 9DE

Handelsbanken plc

First Floor

Futura House

Commerce Road

Lynchwood

Peterborough

PE2 6LR

Seal Analytical Limited

Strategic report for the year ended 30 November 2019

The directors present the Strategic report of the Company for the year ended 30 November 2019.

Review of business and future developments

The Company is a trading company with two direct investments, Seal Analytical GmbH, incorporated in Germany, and Rohasys B.V., incorporated in the Netherlands; all three companies traded in line with expectations for the year ended 30 November 2019.

Revenue of the Company increased by 3% to £631,000 (2018: £614,000); system and service sales increased, whereas consumable sales were flat. The Company made a small operating loss of £5,000 (2018: loss of £109,000), which was ahead of expectations.

The Company adopted IFRS 15 'Revenue from Contracts with Customers' from 1 December 2018; as the majority of the Company's revenue is standard point in time sale when goods ship, this change in accounting standard had no material effect on the revenue recognised.

Net assets increased over the year with £1.9 million at the start and £2.4 million at the end; dividends received from investments of £2.3 million (2018: £0.6 million) were less than the dividends of £1.8 million (2018: £0.7 million) paid to the parent company.

Key performance indicators

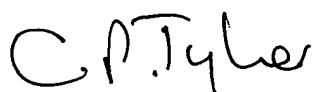
The Company considers its key performance indicators to be revenue growth, operating margin and profit before tax growth, measured against prior year. The Company is part of Porvair plc. Further discussion of the Company's key performance indicators, in the context of the group as a whole, including the Company, is provided in the Chairman's statement, Chief Executive's report and the Finance Director's review in Porvair plc's annual report and financial statements, which does not form part of this report.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. Further discussion of the risks and uncertainties of the Company in the context of the Porvair group as a whole is provided, including a commentary on Brexit assessment, on pages 35 to 40 of Porvair plc's annual report and financial statements, which does not form part of this report.

The implications of Covid-19 remain uncertain, however the potential effects include economic and operational uncertainty. The directors feel that the Company is well positioned to address these risks and the impact of the pandemic on the business is not expected to be significant. This includes keeping the business open while complying with social distancing procedures and government guidance, a strong order book for deliveries in the forecast period, a resilient supplier network and a strong balance sheet with a significant cash balance of £0.6 million as at 31 May 2020.

Approved by the Board of Directors and signed on behalf of the Board



C P Tyler
Director
29 July 2020

Seal Analytical Limited

Directors' report for the year ended 30 November 2019

The Directors present their annual report and the audited financial statements of the Company for the year ended 30 November 2019.

Principal activities

Throughout the year the principal activity of the Company was the sale and servicing of water analysis equipment and related consumables.

The Company is a private company limited by shares and is incorporated and domiciled in England, part of the UK. The address of its registered office is 7 Regis Place, Bergen Way, King's Lynn, PE30 2JN.

Review of business and future developments

The level of sales of the Company during the year increased compared to the prior year as a result of increased sales focus. The financial position at 30 November 2019 is considered to be in line with forecast.

Opportunities for developing the global position of Seal laboratory equipment continue to be explored. Further discussion of the business review and future developments, in the context of the Porvair group as a whole, including the Company, is provided in the Chairman's statement, Chief Executive's report and the Finance Director's review in the Porvair plc annual report and financial statements, which does not form part of this report.

Research and development

The Company continues a programme of development of its existing systems and new systems to support future growth opportunities. The development is largely completed in-house rather than through third parties.

Key performance indicators

The Company considers its key performance indicators to be: revenue growth and operating margin, revenue from new products, profit before tax growth and return on capital employed. Further discussion of these key performance indicators, in the context of the group as a whole, including the Company, is provided in the Chairman's statement, Chief Executive's report and the Finance Director's review in the Porvair plc annual report and financial statements, which does not form part of this report.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. Further discussion of these risks and uncertainties, in the context of the group as a whole, including the Company, is provided on pages 35 to 40 of the Porvair plc annual report and financial statements, which does not form part of this report.

The implications of Covid-19 remain uncertain, however the potential effects include economic and operational uncertainty. The Directors feel that the Company is well positioned to address these risks and the impact of the pandemic on the business is not expected to be significant. This includes keeping the business open while complying with social distancing procedures and government guidance, a good order book for deliveries in the forecast period a resilient supplier network and a strong balance sheet with a significant cash balance of £0.6 million as at 31 May 2020.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of liquidity risk, foreign exchange risk and credit risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company. Given the size of the Company, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of Directors are implemented by the Company's finance department.

Seal Analytical Limited

Directors' report for the year ended 30 November 2019 (continued)

Financial risk management (continued)

Liquidity risk

The ultimate parent company ensures the Company has sufficient available funds for operations and planned growth.

Foreign exchange risk

The Company sells its products in both US dollars and Euros and is exposed to exchange rate movements. The exposure to exchange rate movements is partially mitigated by purchases in those currencies and intercompany loan balances, in addition to which the Company selectively enters into forward currency contracts via its parent company in relation to its principal foreign currency denominated revenues to reduce the impact of exchange rate movements.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually.

Charitable and political contributions

There were no charitable or political donations in the year (2018: £nil).

Results and dividends

The Company's results for the year are shown on page 10. The Company made a profit after tax for the financial year of £2,352,000 (2018: £488,000). The Company has paid a dividend of £1,841,000 in the year (2018: £690,000). The Directors do not recommend any further payment of a dividend.

Directors

The Directors who were in office during the year and up to the date of signing the financial statements were as follows:

B D W Stocks

C P Tyler

I Stirling

S Smith (resigned 1 July 2020)

Employment policies

The Company's employment policies encourage the provision of employment opportunities for disabled people, racial minorities and other disadvantaged groups. Also, the Company endeavours to provide continued employment and training of persons who become disabled while in the company's employment, and training, career development and promotion of disabled people. The Company endeavours to keep its employees well informed about the progress of their company.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and Applicable Law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Seal Analytical Limited

Directors' report for the year ended 30 November 2019 (continued)

Statement of Directors' responsibilities (continued)

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

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

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

Going concern

The direct effects of the Covid-19 pandemic on the Company's operations has evolved through 2020. In anticipation of recessionary pressure, spending has been reduced across the Company.

The Company continues to undertake sensible capital expenditure, either to meet anticipated demand, increase margins or improve quality. Nevertheless, trading in the second half is difficult to predict and such actions as are necessary will be taken to preserve the Company's financial position. Immediate management priorities are firstly to safeguard the wellbeing of staff; and secondly to adjust operating activity to meet fast-changing patterns of demand and maintain balance sheet strength. Longer term, the Company has been looking at measures to ensure that it emerges robustly from the pandemic.

As at 30 November 2019 the Company had £519,000 (2018: £620,000) in cash and cash equivalents. Further contingent consideration of £989,000 in relation to the acquisition of the shares of Rohasys B.V. is forecast to be paid over the period up to 2021 out of future trading profits. The Company is currently forecasting to be profitable and cash positive for the 12 months from the date of this report and the foreseeable future, being a period of no less than 12 months from the date of signing of the financial statements.

The Directors have reviewed the cash flow forecast, which includes the directors' assessment of the impact of the Covid-19 pandemic, up to the period ending 24 months after the signing date. The forecast represents the Directors' best estimate of the Company's future performance and necessarily includes a number of assumptions, including the level of revenues, which are subject to inherent uncertainties. However, the forecast demonstrates that the directors have a reasonable expectation that the Company will be able to meet its liabilities as they fall due, for a period of at least 12 months from the date of approval of these financial statements, even if trade falls to worst case scenario levels due to a Covid-19 related reduction in customer demand.

Therefore, after due consideration of the risks and uncertainties, which include the impact of the Covid-19 pandemic, associated with the business of the Company and, having made appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources and has the ability to continue trading on normal terms of the business for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Seal Analytical Limited

Directors' report for the year ended 30 November 2019 (continued)

Directors' responsibility for provision of information to the Auditor

In accordance with Section 418 of the Companies Act 2006, each Director in office at the date the Directors' report is approved, has confirmed that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

Post balance sheet events are disclosed in note 21 of the financial statements.

Brexit

Discussion of the risks and uncertainties of Brexit, in the context of the group as a whole, including the Company, is provided on page 37 of the Porvair plc annual report and financial statements, which does not form part of this report.

Approved by the Board of Directors and signed on behalf of the Board,



S J Rodgers
Company secretary
29 July 2020

Seal Analytical Limited

Independent auditor's report to the members of Seal Analytical Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Seal Analytical Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 November 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework' as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

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

Seal Analytical Limited

Independent auditor's report to the members of Seal Analytical Limited (continued)

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Seal Analytical Limited

Independent auditor's report to the members of Seal Analytical Limited (continued)

Use of our report

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

A handwritten signature in black ink, reading "Paul Adkins", with a horizontal line extending from the end of the name.

Paul Adkins (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cambridge, UK
29 July 2020

Seal Analytical Limited

Income statement for the year ended 30 November 2019

| | Note | 2019 £'000 | 2018 £'000 |
|--------------------------------------|------|---------------|---------------|
| Turnover | 1 | 631 | 614 |
| Cost of sales | | (366) | (386) |
| Gross profit | | 265 | 228 |
| Distribution costs | | (7) | (8) |
| Administrative expenses | | (263) | (329) |
| Operating loss | 2 | (5) | (109) |
| Income from subsidiaries | 1 | 2,349 | 576 |
| Profit before taxation | | 2,344 | 467 |
| Tax on profit | 5 | 8 | 21 |
| Profit for the financial year | | 2,352 | 488 |

The results relate to continuing activities.

The Company has no comprehensive income or expenses other than the profit for the financial year and therefore no separate statement of comprehensive income has been presented.

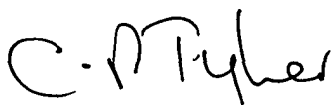
Seal Analytical Limited

Balance sheet as at 30 November 2019

Registered Number: 04008521

| | Note | 2019 £'000 | 2018 £'000 |
|--|------|---------------|----------------|
| Fixed assets | | | |
| Intangible assets | 7 | 308 | 299 |
| Tangible assets | 8 | 2 | 4 |
| Investments | 9 | 2,609 | 2,703 |
| | | 2,919 | 3,006 |
| Current assets | | | |
| Stocks | 10 | 36 | 24 |
| Debtors | 11 | 107 | 85 |
| Cash at bank and in hand | | 519 | 620 |
| | | 662 | 729 |
| Creditors: amounts falling due within one year | 12 | (739) | (765) |
| Net current liabilities | | (77) | (36) |
| Total assets less current liabilities | | 2,842 | 2,970 |
| Creditors: amounts falling due after more than one year | 13 | (426) | (1,065) |
| Net assets | | 2,416 | 1,905 |
| Capital and reserves | | | |
| Called up share capital | 15 | 230 | 230 |
| Share premium account | | 575 | 575 |
| Profit and loss account | | 1,611 | 1,100 |
| Total equity | | 2,416 | 1,905 |

The financial statements on pages 10 to 26 were approved and authorised for issue by the Board of Directors on 29 July 2020 and were signed on its behalf by:



C P Tyler
Director

Seal Analytical Limited

Statement of changes in equity for the year ended 30 November 2019

| | Called up share capital £'000 | Share premium account £'000 | Profit and loss account £'000 | Total equity £'000 |
|---|--|--------------------------------------|--|--------------------------|
| Balance as at 1 December 2017 | 230 | 575 | 1,302 | 2,107 |
| Profit for the financial year | - | - | 488 | 488 |
| Total comprehensive income | - | - | 488 | 488 |
| Transactions with owners: | | | | |
| Dividends paid (note 6) | - | - | (690) | (690) |
| Total transactions with owners recognised directly in equity | - | - | (690) | (690) |
| Balance as at 30 November 2018 | 230 | 575 | 1,100 | 1,905 |
| Profit for the financial year | - | - | 2,352 | 2,352 |
| Total comprehensive income | - | - | 2,352 | 2,352 |
| Transactions with owners: | | | | |
| Dividends paid (note 6) | - | - | (1,841) | (1,841) |
| Total transactions with owners recognised directly in equity | - | - | (1,841) | (1,841) |
| Balance as at 30 November 2019 | 230 | 575 | 1,611 | 2,416 |

Seal Analytical Limited

Accounting policies for the year ended 30 November 2019

Basis of accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared on a going concern basis and under the historical cost convention, in accordance with the Companies Act 2006.

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

- paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based payment (details of the number and weighted-average exercise prices of share options and how the fair value of goods or services received was determined);
- paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n) (ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- paragraph 33(c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
- IFRS 7 Financial Instruments: Disclosures;
- paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets (reconciliations between the carrying amount at the beginning and end of the period);
- paragraphs 10(d) (statement of cash flows), 10(f) (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), 16 (statement of compliance with all IFRSs), 38A (requirement for minimum of two primary statements, including cash flow statements), 38B-D (additional comparative information), 40A-D (requirements for a third statement of financial position), 111 (cash flow statement information) and 134 to 136 (capital management disclosures) of IAS 1 Presentation of Financial Statements;
- IAS 7 Statement of Cash Flows;
- 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);
- IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135 (e) of IAS 36 Impairment of Assets (disclosures when the recoverable amount is fair value less costs of disposal, assumptions involved in estimating recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives and management's approach to determining these amounts).

Accounting judgements and key sources of estimation uncertainty

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 Directors consider that there are no critical areas of judgement or complexity, or areas where assumptions and estimates are significant in the financial statements. No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 December 2018 have had a material impact on the Company.

Seal Analytical Limited

Accounting policies for the year ended 30 November 2019 (continued)

The principal accounting policies applied in the preparation of these financial statements are set out below:

Going concern

The Company meets its day-to-day working capital requirements through its cash reserves. The Company's forecasts and projections over the next 24 months, taking account of reasonably possible changes in trading performance, including a review of the impact of the Covid-19 pandemic on the business, show that the Company should be able to operate within the level of its current cash reserves. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company has the full financial support, including a letter of support, from its ultimate parent, Porvair plc, and the directors are confident the Company's group will exit the Covid-19 pandemic period ready to continue its strategic objectives. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Revenue recognition

Revenue is the total amount receivable from external customers for goods and services supplied in the ordinary course of business and excludes value added tax. Under IFRS15, each customer contract is assessed to identify the performance obligations. An assessment of the timing of revenue recognition is made for each performance obligation. Revenue is recognised at a point in time for all standard revenue transactions when control of the goods provided is transferred to the customer according to the International Commercial Terms of each contract. Revenue is also recognised at a point in time for service contracts when the agreed output is produced for the customer.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to working condition for its intended use.

Depreciation is calculated so as to write down the cost, less estimated residual value, of tangible fixed assets by equal annual instalments over their expected useful lives, as follows:

| | |
|--------------------------------|----------------------|
| Plant, machinery and equipment | 25-33% straight line |
|--------------------------------|----------------------|

Other intangible assets

Software, process technology, know-how and design rights are measured initially at cost and then amortised over their estimated useful lives, which are deemed to be between 3 and 10 years, on a straight line basis.

All research and development expenditure is written off to the income statement as incurred. All expenditure on the registration, renewal and maintenance of patents and trademarks is written off to the income statement as incurred.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost of finished goods and work in progress includes all expenditure incurred in the normal course of business in bringing the stock to its present location and condition and overheads appropriate to the stage of manufacture. Cost is derived based on the weighted average cost of purchased materials. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

Seal Analytical Limited

Accounting policies for the year ended 30 November 2019 (continued)

Goodwill

Purchased goodwill represents the excess of the fair value of total purchase consideration over the fair value of the net assets acquired. This is capitalised as an intangible fixed asset at cost less accumulated impairment losses and reviewed annually for impairment. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

The Company is the only cash generating unit ("CGU") due to the fact that it constitutes the smallest identifiable group of assets that generate cash flows for the entity, by means of supplying water analysis goods and services to customers.

The recoverable amount of the goodwill is based on value-in-use calculations. The calculations use pre-tax cash flow projections based on financial budgets approved by management covering a three-year period and cash flows beyond the three-year period are extrapolated using a 2% growth rate. The cash flow projections are discounted at the pre-tax rate at 30 November 2019 of 9.8%.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year.

Based on the results of the current year impairment review, no impairment charges have been recognised by the Company in the year ended 30 November 2019. Having assessed the anticipated future cash flows, the Directors do not currently foresee any reasonable changes in assumptions that would have led to such an impairment charge in the year ended 30 November 2019.

Leases

Leases in which substantially all 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.

Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. All differences are taken to the income statement.

Taxation

Current tax is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that are relevant to the period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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Accounting policies for the year ended 30 November 2019 (continued)

Taxation (continued)

Deferred tax is calculated at the tax rates which have been enacted or substantively enacted by the balance sheet date and are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is recognised in the income statement, except when it relates to items recognised directly to other comprehensive income or directly to equity. In this case, the deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

Pension contributions

The Company operates a defined contribution scheme for its employees. The pension costs charged in the financial statements represent the contributions payable by the Company during the year.

Consolidated financial statements

The financial statements present information about the Company as an individual undertaking and not about its Group. The Company has not prepared group financial statements as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Porvair plc, a company incorporated in England and Wales, and is included in the consolidated financial statements of that company.

Adoption of new and revised accounting standards

The Company has adopted IFRS 9, 'Financial Instruments' ('IFRS 9') and IFRS 15, 'Revenue from Contracts with Customers' ('IFRS 15') with effect from 1 December 2019. These standards are mandatory for financial periods beginning on or after 1 January 2018 and, therefore, relevant to the Company for the first time for the financial year ended 30 November 2019. The adoption of these accounting standards has not had a material effect on these financial statements.

a) IFRS 15 'Revenue from Contracts with Customers'

The Company adopted IFRS 15 for its year ended 30 November 2019, with a date of initial application of 1 December 2018. The Company has adopted the modified retrospective approach without restatement of comparatives. IFRS 15 replaces the previous revenue guidance, including IAS 18 'Revenue' and IAS 11 'Construction contracts'.

IFRS 15 establishes a single comprehensive model for revenue recognition based on the transfer of control rather than the risks and rewards of ownership. The core principle of IFRS 15 is that an entity should recognise revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying a particular performance obligation is transferred to the customer.

Management have considered the nature of contracts and performance obligations with customers at the date of initial application and determined that the Company has only a single revenue stream for the purposes of the application of IFRS 15, which is the sale of goods at a point in time.

The adoption of IFRS 15 has had no impact on these financial statements; the primary statements and performance metrics as reported under IFRS 15 remain consistent with reporting under previous accounting standards.

b) IFRS 9 'Financial Instruments'

IFRS 9 provides a new expected losses impairment model for financial assets, including trade receivables, and includes amendments to classification and measurement of financial instruments. The standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The adoption of IFRS 9 'Financial Instruments' from 1 December 2018 resulted in changes in accounting policies.

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Accounting policies for the year ended 30 November 2019 (continued)

b) IFRS 9 'Financial Instruments' (continued)

Using the simplified approach allowed by the standard, an appropriate impairment model was applied to receivables and provisions were calculated at 30 November 2019 using this methodology. The revised methodology results in a similar level of provision to that held under the previous IAS 39 'Financial Instruments: Recognition and Measurement' accounting standard, and the overall impact of adoption of IFRS 9 is immaterial. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

Accounting standards in issue but not yet effective

With the exception of IFRS 16, 'Leases' which is outlined in more detail below, there are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

For the Company, transition to IFRS 16 will take effect from 1 December 2019, with the first Annual Report published in accordance with IFRS 16 being for the year ending 30 November 2020.

IFRS 16 replaces existing lease guidance, including:

- IAS 17 'Leases'
- IFRIC 4 'Determining whether an arrangement contains a lease'
- SIC 15 'Operating leases - Incentives'
- SIC 27 'Evaluating the substance of transactions involving the legal form of a lease'

IFRS 16 provides a single on-balance sheet accounting model for lessees which recognises a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligations to make payment in respect of the use of the underlying asset. The distinction between finance and operating leases for lessees is removed.

The Company will apply the exemptions available in respect of leases which are less than 12 months long and those which have been classified as leases of low-value items. In addition, the Company will apply the practical expedient allowing for IFRS 16 to be applied to all contracts previously assessed as containing a lease under IAS 17 and IFRIC 4 without reassessing whether such contracts meet the definition of a lease under IFRS 16.

The Company has assessed the financial impact of the new standard. The most significant impact identified will be that the Company's leases for property, plant and equipment will be brought on to the balance sheet as 'right-of-use assets'. This will result in £79,000 additional fixed assets. The Company's discounted future lease commitments for land and buildings at the balance sheet date, which provides an indicator of the value to be brought on to the balance sheet, will be £77,000. An immaterial balance of rental prepayments held in current assets under IAS 17 will be reclassified to right-of-use assets.

In addition, the profile of expenses related to leasing arrangements will change. Straight line operating lease expenses will be replaced by the recognition of straight line depreciation of the right-of-use asset and interest charges on lease liabilities, which follow a reducing-balance profile. Because of this, there will be earlier recognition of cost under IFRS 16 compared to the current treatment under IAS 17; however, over the lifetime of each lease there will no change in the overall income statement impact or the cash paid out on it under the IFRS 16 or IAS 17 accounting treatment. If no more leases are signed in FY20, then the overall impact on the Company's income statement for FY20 of adoption of IFRS 16 will be to reduce profit before tax by approximately £2,000.

The Company has no leases currently classified as finance leases in the Company financial statements.

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Notes to the financial statements for the year ended 30 November 2019

1 Turnover

Turnover is attributable to the principal activity of the Company, and is wholly generated from the United Kingdom. An analysis of turnover by geographical destination is given below:

| | 2019 £'000 | 2018 £'000 |
|----------------|---------------|---------------|
| United Kingdom | 575 | 561 |
| Rest of Europe | 56 | 44 |
| Americas | - | 9 |
| | 631 | 614 |

In addition to turnover, the Company received £2,349,000 (2018: £576,000) dividends in the year from its subsidiary undertaking in Germany.

2 Operating loss

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Operating loss is stated after charging/(crediting): | | |
| Depreciation of tangible fixed assets: | | |
| Owned assets | 2 | 6 |
| Inventory recognised as an expense | 222 | 227 |
| Operating lease rentals: | | |
| Plant and machinery | 6 | 5 |
| Other | 18 | 19 |
| Research and development costs | 77 | 75 |
| Loss/(gain) on foreign exchange transactions | 5 | (6) |
| Services provided by the Company's auditor | | |
| The Company obtained the following services from the Company's auditor at costs detailed below: | | |
| The audit of the Company financial statements pursuant to legislation | 4 | 8 |

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Notes to the financial statements for the year ended 30 November 2019 (continued)

3 Employee information

The average monthly number of staff employed by the Company, including Directors, during the year by activity was as follows:

| | 2019 Number | 2018 Number |
|------------------------------|----------------|----------------|
| Sales, service and technical | 5 | 6 |
| Administration | 1 | 2 |
| | 6 | 8 |

The cost of employing those staff comprised the following:

| | 2019 £'000 | 2018 £'000 |
|-----------------------------------|---------------|---------------|
| Wages and salaries | 299 | 322 |
| Social security costs | 39 | 41 |
| Other pension costs (see note 16) | 34 | 32 |
| | 372 | 395 |

4 Directors' remuneration

None of the Directors received remuneration for their services to the Company (2018: none).

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Notes to the financial statements for the year ended 30 November 2019 (continued)

5 Tax on profit

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Current tax | | |
| UK Corporation tax credit | (11) | (23) |
| Total current tax credit | (11) | (23) |
| Deferred tax | | |
| Origination and reversal of timing differences | 3 | 2 |
| Total deferred tax charge | 3 | 2 |
| Tax credit on profit | (8) | (21) |

The tax assessed for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK at 19% (2018: 19%). The differences are explained below:

| | 2019 £'000 | 2018 £'000 |
|--|----------------|---------------|
| Profit before taxation: | 2,344 | 467 |
| Tax at the standard UK Corporation tax rate of 19% (2018: 19%) | 445 | 89 |
| Effects of: | | |
| Non-taxable dividend receivable | (446) | (109) |
| Permanent differences | (7) | (1) |
| Total tax credit for the year | (8) | (21) |

The standard rate of Corporation Tax in the UK was 19% during the year to 30 November 2019. Accordingly, the theoretical effective tax rate applied to the Company's profits for this accounting year is 19%.

Changes to the UK corporation tax rates were introduced by Finance (No.2) Act 2015, being the reduction of the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020. The latter was superseded by Finance Act 2016, which was substantively enacted in September 2016 and reduced the rate to apply from 1 April 2020 to 17%. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

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Notes to the financial statements for the year ended 30 November 2019 (continued)

5 Tax on profit (continued)

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. The overall effect of the change, had it been substantively enacted by the balance sheet date, would be immaterial.

6 Dividends

During the year, dividends were declared and paid of £8.00 (2018: £3.00) per ordinary share, totalling £1,841,000 (2018: £690,000).

7 Intangible fixed assets

| | Goodwill | Software | Process Technology, Know-how and Design Rights | Total |
|---------------------------------|------------|------------|---|------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | |
| At 1 December 2018 | 406 | 398 | 33 | 837 |
| Additions | - | 9 | - | 9 |
| At 30 November 2019 | 406 | 407 | 33 | 846 |
| Accumulated amortisation | | | | |
| At 1 December 2018 | 122 | 383 | 33 | 538 |
| At 30 November 2019 | 122 | 383 | 33 | 538 |
| Net book value | | | | |
| At 30 November 2019 | 284 | 24 | - | 308 |
| At 30 November 2018 | 284 | 15 | - | 299 |

Goodwill represents the excess of the acquisition cost of a product range over its acquired book value.

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Notes to the financial statements for the year ended 30 November 2019 (continued)

8 Tangible fixed assets

| | Plant, machinery and equipment |
|---------------------------------|-----------------------------------|
| | £'000 |
| Cost | |
| At 1 December 2018 | 79 |
| At 30 November 2019 | 79 |
| Accumulated depreciation | |
| At 1 December 2018 | 75 |
| Charge for the year | 2 |
| At 30 November 2019 | 77 |
| Net book value | |
| At 30 November 2019 | 2 |
| At 30 November 2018 | 4 |

9 Investments

| | Shares in group undertakings |
|---|---------------------------------|
| | £'000 |
| Cost at 1 December 2018 and 30 November 2019 | 2,703 |
| Provision for impairment | |
| Written off and at 30 November 2019 | (94) |
| Net book value at 30 November 2019 | 2,609 |
| Net book value at 30 November 2018 | 2,703 |

The Directors have considered the carrying value of investments and have concluded that it is supported by their underlying net assets.

In the prior year, on 7 December 2017, the Company purchased 100% of the share capital of Rohasys B.V. ("Rohasys") in order to increase its offering in the laboratory market. At the time of acquisition, the total maximum consideration was €3,548,000 (£3,118,000); €896,000 (£787,000) of this was paid in cash on the acquisition date, together with €502,000 (£441,000) to settle its outstanding loan. The balance related to an earn-out that was contingent on meeting sales and profit targets and payable in cash instalments until 2021.

As at 30 November 2019, €936,000 (£814,000) of the initially accrued contingent consideration has been paid out and the investment has been reassessed to value it to the recoverable amount based on management's most

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Notes to the financial statements for the year ended 30 November 2019 (continued)

9 Investments (continued)

reliable estimate of the performance of the acquired business. This has resulted in an impairment of the Rohasys investment and a reduction of accrued earn out by £94,000 in the year.

The Company has the following subsidiary undertakings:

| Subsidiary undertakings | Principal activity | Country of incorporation | % ordinary shares held and voting rights |
|----------------------------|--|--------------------------|--|
| Pulse Instrumentation GmbH | Sale of water analysis consumables | Germany † | 100% * |
| Rohasys B.V. | Manufacture and sale of robotic sample handling systems | Netherlands ‡ | 100% |
| Seal Analytical GmbH | Manufacture and sale of water analysis equipment and related consumables | Germany † | 100% |

* shares owned by Seal Analytical GmbH. † Company registered at Werkstrasse 5, 22844 Norderstedt, Germany. ‡ Company registered at Provinciënbaan 4, 5121 DL Rijen, Netherlands.

10 Stocks

| | 2019 £'000 | 2018 £'000 |
|----------------|---------------|---------------|
| Finished goods | 36 | 24 |
| | 36 | 24 |

11 Debtors

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Amounts falling due within one year: | | |
| Trade debtors | 49 | 28 |
| Other debtors | 11 | 18 |
| Deferred tax asset (note 14) | 13 | 16 |
| Corporation tax | 34 | 23 |
| | 107 | 85 |

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Notes to the financial statements for the year ended 30 November 2019 (continued)

12 Creditors: amounts falling due within one year

| | 2019 £'000 | 2018 £'000 |
|------------------------------------|---------------|---------------|
| Trade creditors | 20 | 19 |
| Other taxation and social security | 9 | 13 |
| Other creditors | 563 | 609 |
| Accruals and contract liabilities | 147 | 124 |
| | 739 | 765 |

Included within the balance of 'Accruals and contract liabilities' are contract liabilities of £124,000 (2018: £96,000).

13 Creditors: amounts falling due after more than one year

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Other payables due between one to five years | 426 | 1,065 |
| | 426 | 1,065 |

14 Deferred taxation

| Deferred tax (assets)/liabilities | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Balance at 1 December | (16) | (18) |
| Charge to the income statement | 3 | 2 |
| Balance at 30 November | (13) | (16) |
| The deferred tax asset recognised in the financial statements comprises: | | |
| Accelerated capital allowances | (12) | (15) |
| Short term timing differences | (1) | (1) |
| | (13) | (16) |

There are no unprovided deferred tax assets or liabilities as at 30 November 2019 and 30 November 2018.

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Notes to the financial statements for the year ended 30 November 2019 (continued)

15 Share capital

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Authorised: | | |
| 600,000 (2018: 600,000) Ordinary shares of £1 each | 600 | 600 |
| | 600 | 600 |
| Allotted and fully paid | | |
| 230,115 (2018: 230,115) Ordinary shares of £1 each | 230 | 230 |
| | 230 | 230 |

16 Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from the Company in an independently administered fund. The pension cost represents contributions payable by the Company to the fund. Contributions payable by the Company to the scheme amounted to £34,000 (2018: £32,000). Amounts outstanding to be paid to the scheme at 30 November 2019 were £2,000 (2018: £2,000).

17 Operating lease commitments

At 30 November 2019 the Company had future aggregate minimum lease payments under non-cancellable operating leases expiring as follows:

| | 2019 | | 2018 | |
|--|--------------------------------|----------------|--------------------------------|----------------|
| | Land and Buildings £'000 | Other £'000 | Land and Buildings £'000 | Other £'000 |
| No later than one year | 19 | 6 | 4 | 6 |
| Later than one year and no later than five years | 5 | 6 | - | 12 |
| | 24 | 12 | 4 | 18 |

18 Contingent liabilities

The Company has an unlimited cross-guarantee arrangement in respect of the bank borrowings of Porvair plc, Porvair Filtration Group Limited, Porvair Sciences Limited and Porvair Filtration Limited. At 30 November 2019, these net borrowings amounted to £8,875,000 (2018: £4,867,000).

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Notes to the financial statements for the year ended 30 November 2019 (continued)

19 Parent undertaking

The Company's ultimate parent undertaking and controlling party is Porvair plc, a company registered in England and Wales, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Porvair plc financial statements are available to the public and may be obtained from Porvair plc's company secretary at 7 Regis Place, Bergen Way, King's Lynn, Norfolk, PE30 2JN.

20 Related party transactions

The Company has taken advantage of the exemption in FRS101 not to disclose transactions with wholly owned subsidiaries of the Porvair plc group.

21 Post balance sheet event

The Company continues to monitor and respond to the consequences of the Covid-19 pandemic which started post year end. The impact of Covid-19 on the Company will depend on the duration of the Covid-19 pandemic and on the severity of its economic consequences.

At the signing date the pandemic is forecast to have a short term adverse trading impact with most of the countries and sectors where the Company operates. The implications of Covid-19 remain uncertain, however the potential effects include economic and operational uncertainty. The directors feel that the Company is well positioned to address these risks and the impact of the pandemic on the business is not expected to be significant. This includes keeping the business open while complying with social distancing procedures and government guidance, a good order book for deliveries in the forecast period, a resilient supplier network and a strong balance sheet with a significant cash balance of £0.6 million as at 31 May 2020.