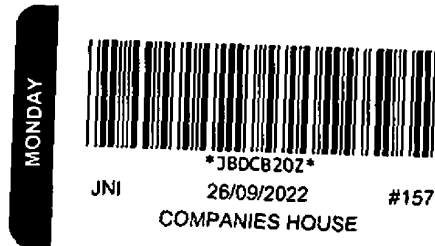


Registration number: SC131397



# Survitec Survival Craft Limited

Annual Report and Unaudited Financial Statements

for the year ended 31 December 2021

## **Survitec Survival Craft Limited**

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## **Survitec Survival Craft Limited**

### **Company Information**

<b>Directors</b>	L E McClelland C H Sada
<b>Registered office</b>	Findon Shore Findon Aberdeen Scotland AB12 3RL
<b>Solicitors</b>	Aberdein Considine and Co 7 - 9 Bon Accord Crescent Aberdeen AB11 6DN

## Survitec Survival Craft Limited

### Strategic Report for the Year Ended 31 December 2021

The Directors present their Strategic Report for the year ended 31 December 2021.

#### Fair review of the business

The trading results of the Company for the year show revenue for the year of £9,691,000 (31 December 2020: £10,623,000) and profit for the year of £1,671,000 (31 December 2020: £1,120,000).

The key performance indicators for the Company are revenue, loss before taxation and operating loss before depreciation, impairment and amortisation (adjusted EBITDA). The Company's results show a profit before taxation for the year ended 31 December 2021 of £1,680,000 (year ended 31 December 2020: loss £1,136,000).

EBITDA for the year ended 31 December 2021 is £2,005,000 (31 December 2020: £1,521,000). Adjusted EBITDA for the year is calculated as follows:

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Operating profit	1,692	1,152
Add back: Depreciation and amortisation	313	369
Deduct: Impairment reversal	(2,254)	(1,687)
Adjusted EBITDA	<u>(249)</u>	<u>(166)</u>

The Company's statement of financial position shows that the Company's Net Assets have increased from £8,470,000 at 31 December 2020 to £10,141,000 at 31 December 2021. The Net Assets have increased due to significant profit for the financial year as a result of the reversal of a prior year impairment.

#### Company employees

The Company employed a monthly average of 76 (Year ended 31 December 2020: 83) 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 including the United Kingdom's decision to exit the European Union. 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.

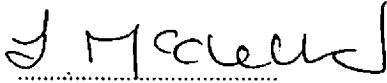
#### Principal risks and uncertainties (continued)

The COVID-19 pandemic has continued to cause business impacts in 2021. Measures taken by various governments to contain the virus have affected economic activity. The Company has not been significantly impacted by the pandemic and has continued to lease rafts to commercial vessel owners and managers as part of their existing contracts. To maintain a consistent and reliable output for our customers, the Company has redefined its working patterns and formed workforce "bubbles" to support the changing needs of its people.

**Survitec Survival Craft Limited**

**Strategic Report for the Year Ended 31 December 2021 (continued)**

Approved by the Board on 30 August 2022 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'L E McClelland', written over a dotted line.

L E McClelland  
Director

## **Survitec Survival Craft Limited**

### **Directors' Report for the Year Ended 31 December 2021**

The Directors present their annual report and the unaudited financial statements for the year ended 31 December 2021.

#### **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)

A G Campbell (Resigned 25 May 2021)

L E McClelland

C H Sada (Appointed 26 January 2022)

#### **Principal activity**

The principal activity of the Company is that of inspecting and servicing offshore survival craft and the supply of marine equipment.

#### **Business review**

The key performance indicators for the Company are revenue and profit before taxation. The trading results of the Company for the year show revenue of £9,691,000 (31 December 2020: £10,623,000). The decrease in revenue is as a result of decreased activity in the markets due to COVID-19 and other factors affecting the areas in which the Company operates. The Company's results show a profit before taxation for the year ended 31 December 2021 of £1,680,000 (31 December 2020: £1,136,000).

#### **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 2021 (31 December 2020: £Nil). The Directors do not recommend a final dividend for the year ended 31 December 2021 (31 December 2020: £Nil).

## **Survitec Survival Craft Limited**

### **Directors' Report for the Year Ended 31 December 2021 (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 2021 (31 December 2020: net liability position).

As at 31 December 2021, the Company had net current assets of £7,830,000 (31 December 2020: net current assets £5,822,000) and is not reliant upon the support of Survitec Group to meet its current liabilities as they fall due. However, 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. Below, the Directors' have considered the ability of the Group to provide this support.

In March 2021, the Group successfully completed a refinancing of its existing debt. The total amount borrowed was £270,000,000 over 6 years, with £160,000,000 used to refinance existing debt and the remainder to support the Group's transformation programmes and mergers and acquisition strategy.

A Revolving Credit Facility of £27,500,000 has been negotiated and approved by the Bank's Credit Committee in March 2021, of which £21,500,000 was drawn down by August 2022.

The COVID-19 pandemic has continued to be an evolving situation throughout 2021. Through the revision and rephasing of spending plans and additional cost savings the Group has been able to mitigate any material adverse impact on the markets in which it operates and thus, at 31 December 2021, COVID-19 has not had a material effect on the measurement of assets and liabilities and is not expected to going forward.

In reviewing the appropriateness of the Going Concern assumption, Group Management has prepared forecasts covering the period to 31 August 2023 "(the Going Concern period)". The 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 forecast improvements are driven by the underlying strength and continued growth of the business, the full year impact of profits arising from entities acquired during the year, as well as continued transformation projects resulting in reduced overheads.

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 31 August 2023, as well as compliance with all banking covenants. Through both treasury and financial quarterly forecasting, there is continuous focus on the Group's cash and profitability position, and as such mitigations could be implemented immediately to maintain the minimum cash requirements. The forecasts have been reviewed by the Directors.

## **Survitec Survival Craft Limited**

### **Directors' Report for the Year Ended 31 December 2021 (continued)**

#### **Going concern (continued)**

The Group's facility requires at least 80% of Group EBITDA to be generated by the guarantors. As at 31 December 2021, this ratio was not achieved and as a result, in advance of the covenant certificate being submitted, the lenders have reduced the coverage percentage required until 30 June 2022. The guarantor coverage test has subsequently been met, which will ensure sufficient guarantor coverage is maintained throughout the remainder of the Going Concern period. The coverage ratio of 80% has since been met as of the 30 June 2022 covenant reporting date. This is not a financial covenant which could have been deemed a breach. The subsidiaries that are added as guarantors is under the discretion of the Group, as long as the relevant legal processes required in the loan agreement to add the guarantors are followed.

Whilst the Group is not forecast to recover back to 2019 levels from the impact of COVID-19 until late 2022, the Group continues to deliver wide ranging transformational programmes to drive profitability improvements ahead of future revenue growth by developing a single scalable, efficient, operating model.

Having given consideration to the matters outlined above, the Directors conclude that the Group has both intention and ability to provide support as required to enable Survitec Survival Craft Limited to continue as a going concern for a period of at least twelve months from the date of signing these financial statements.

#### **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, 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 10% (31 December 2020: 5%) of its sales being made outside the UK. It is therefore exposed to risks arising from 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. At times, new customers and existing customers where credit worthiness has deteriorated 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 more than sufficient funds to finance its ongoing operations and expansion. In the unlikely event of needing extra funds, the Company has access to sufficient available funds from Group undertakings for operations and planned expansion.

##### ***Interest rate risk***

The Company has both interest-bearing and non-interest-bearing assets and liabilities. Interest bearing assets include cash balances which earn interest at fixed rates. Interest bearing liabilities relate mainly to leases.



## **Survitec Survival Craft Limited**

### **Directors' Report for the Year Ended 31 December 2021 (continued)**

#### **Financial Risk Management (continued)**

##### ***Price risk***

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

##### **Political donations**

There were no political donations made or political expenditure incurred by the Company during the year ended 31 December 2021 (31 December 2020: £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.

##### **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 principal 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.

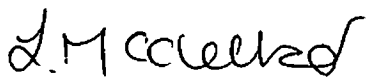
##### **Future developments**

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. There is a programme in place to further align the business and organisational structure to its identified market opportunities, in turn delivering sustainable growth. In addition to enhanced market focus, the Company will continue to invest in the full integration of manufacturing and supply chain operations, giving the business the opportunity to meet customer demands while reducing cost and improving working capital investment.

##### **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 24 August 2022 and signed on its behalf by:



L E McClelland  
Director

## **Survitec Survival Craft 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 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.

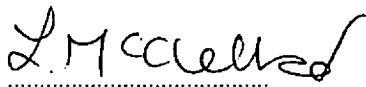
In preparing the financial statements, the Directors are required to:

- 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 24 August 2022 and signed on its behalf by:



L E McClelland  
Director

## Survitec Survival Craft Limited

### Income Statement for the Year Ended 31 December 2021

		31 December 2021 £ 000	31 December 2020 £ 000
	Note		
Revenue	4	9,691	10,623
Changes in inventories of finished goods and work in progress		(72)	(826)
Raw materials and consumables used		(4,264)	(4,030)
Employee benefits expense	6	(4,358)	(4,959)
Depreciation and amortisation expense		(313)	(369)
Reversal of impairment of amounts owed by group companies		2,254	1,687
Other expenses		(1,289)	(1,144)
Other operating income	5	<u>43</u>	<u>170</u>
Operating profit	8	1,692	1,152
Finance costs		<u>(12)</u>	<u>(16)</u>
Profit before tax		1,680	1,136
Income tax charge	10	<u>(9)</u>	<u>(16)</u>
Profit for the financial year		<u><u>1,671</u></u>	<u><u>1,120</u></u>

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

**Survitec Survival Craft Limited**

**(Registration number: SC131397)**

**Statement of Financial Position as at 31 December 2021**

		31 December 2021 £ 000	31 December 2020 £ 000
	Note		
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	11	130	197
Property, plant and equipment	12	1,451	1,604
Right of use assets	13	87	159
Investments	14	848	848
		<u>2,516</u>	<u>2,808</u>
<b>Current assets</b>			
Inventories	15	538	113
Trade and other receivables	16	10,231	6,060
Cash and cash equivalents	17	1,797	1,614
Contract assets	16	-	892
Deferred tax asset	10	25	26
		<u>12,591</u>	<u>8,705</u>
<b>Total assets</b>		<u>15,107</u>	<u>11,513</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Called up share capital	18	-	-
Accumulated profits		<u>10,141</u>	<u>8,470</u>
		<u>10,141</u>	<u>8,470</u>
<b>Creditors: amounts falling due within one year</b>			
Lease liabilities	19	62	75
Trade and other payables	21	4,699	2,808
		<u>4,761</u>	<u>2,883</u>
<b>Creditors: amounts falling due after more than one year</b>			
Lease liabilities	19	52	99
Provisions	20	153	61
		<u>205</u>	<u>160</u>
<b>Total liabilities</b>		<u>4,966</u>	<u>3,043</u>
<b>Total equity and liabilities</b>		<u>15,107</u>	<u>11,513</u>

The notes on pages 13 to 39 form an integral part of these financial statements.

**Survitec Survival Craft Limited**

**(Registration number: SC131397)**


**Statement of Financial Position as at 31 December 2021 (continued)**

For the financial year ending 31 December 2021 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 24 August 2022 and signed on its behalf by:



L E McClelland  
Director

# Survitec Survival Craft Limited

## Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £ 000	Accumulated profits £ 000	Total £ 000
At 1 January 2021	-	8,470	8,470
Profit for the year	-	1,671	1,671
Total comprehensive income	-	1,671	1,671
At 31 December 2021	-	10,141	10,141

	Share capital £ 000	Accumulated profits £ 000	Total £ 000
At 1 January 2020	-	7,350	7,350
Profit for the year	-	1,120	1,120
Total comprehensive income	-	1,120	1,120
At 31 December 2020	-	8,470	8,470

## **Survitec Survival Craft Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021**

#### **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:

Findon Shore  
Findon  
Aberdeen  
Scotland  
AB12 3RL

The principal activity of the Company continued to be that of inspecting and servicing offshore survival craft and the supply of marine equipment.

#### **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 Financial 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.

These financial statements contain information about the Company as an individual company, and do not contain consolidated financial statements as part of a group.

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

## **Survitec Survival Craft Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### **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, 38A and 40 A-D of IAS 1 'Presentation of financial statements' comparative information requirements in respect of;
  - i) Paragraph 79(a)(iv) of IAS 1; Presentation of financial statements;
  - 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);
- 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).



## **Survitec Survival Craft Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

- 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 2021, that have a material impact on the Company's financial statements.

#### **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 2021 (31 December 2020: net liability position).

As at 31 December 2021, the Company had net current assets of £7,830,000 (31 December 2020: £5,822,000) and is not reliant upon the support of Survitec Group to meet its current liabilities as they fall due. However, 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. Below, the Directors' have considered the ability of the Group to provide this support.

In March 2021, the Group successfully completed a refinancing of its existing debt. The total amount borrowed was £270,000,000 over 6 years, with £160,000,000 used to refinance existing debt and the remainder to support the Group's transformation programmes and mergers and acquisition strategy.

A Revolving Credit Facility of £27,500,000 has been negotiated and approved by the Bank's Credit Committee in March 2021, of which £21,500,000 was drawn down by August 2022.

The COVID-19 pandemic has continued to be an evolving situation throughout 2021. Through the revision and rephasing of spending plans and additional cost savings the Group has been able to mitigate any material adverse impact on the markets in which it operates and thus, at 31 December 2021, COVID-19 has not had a material effect on the measurement of assets and liabilities and is not expected to going forward.

In reviewing the appropriateness of the Going Concern assumption, Group Management has prepared forecasts covering the period to 31 August 2023 "(the Going Concern period)". The 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 forecast improvements are driven by the underlying strength and continued growth of the business, the full year impact of profits arising from entities acquired during the year, as well as continued transformation projects resulting in reduced overheads.

## **Survitec Survival Craft Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### **Going concern (continued)**

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 31 August 2023, as well as compliance with all banking covenants. Through both treasury and financial quarterly forecasting, there is continuous focus on the Group's cash and profitability position, and as such mitigations could be implemented immediately to maintain the minimum cash requirements. The forecasts have been reviewed by the Directors.

The Group's facility requires at least 80% of Group EBITDA to be generated by the guarantors. As at 31 December 2021, this ratio was not achieved and as a result, in advance of the covenant certificate being submitted, the lenders have reduced the coverage percentage required until 30 June 2022. This coverage ratio of 80% has since been met as of the 30 June 2022 covenant reporting date, which will ensure sufficient guarantor coverage is maintained throughout the remainder of the Going Concern period. This is not a financial covenant which could have been deemed a breach. The subsidiaries that are added as guarantors is under the discretion of the Group, as long as the relevant legal processes required in the loan agreement to add the guarantors are followed.

Whilst the Group is not forecast to recover back to 2019 levels from the impact of COVID-19 until late 2022, the Group continues to deliver wide ranging transformational programmes to drive profitability improvements ahead of future revenue growth by developing a single scalable, efficient, operating model.

Having given consideration to the matters outlined above, the Directors conclude that the Group has both intention and ability to provide support as required to enable Survitec Survival Craft Limited to continue as a going concern for a period of at least twelve months from the date of signing these financial statements.

##### **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'.

## **Survitec Survival Craft Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### **Revenue Recognition**

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

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

##### ***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.

##### ***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 'a) Sales of goods'.

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

##### ***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.

##### ***Interest income***

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

##### ***Dividend income***

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

## **Survitec Survival Craft Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### **Defined contribution pension obligation**

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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.

##### **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.

Grants relating to COVID-19 support measures made available by governments in territories where the Company operates have been received in the current and previous 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 Company'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.

##### **Tax**

The tax expense for the period comprises current and deferred 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.

## **Survitec Survival Craft Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **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 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 the 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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is recognised in respect of the retained earnings of overseas subsidiaries only to the extent that at the balance sheet date dividends have been accrued as receivable or a binding agreement to distribute past earnings in the future has been entered into by the subsidiary.

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 Company intends to settle its current tax assets and liabilities on a net basis.

##### **Intangible Assets**

###### ***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.

## **Survitec Survival Craft Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### **Intangible Assets (continued)**

##### *Computer software (continued)*

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

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

##### *Development expenditure*

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

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

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

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

##### **Property, plant and equipment**

Property, plant and equipment is stated on the Balance Sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. 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 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 period in which they are incurred.

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

Where provision is made under leases for dilapidations, the estimate of those dilapidations is recognised as an addition in Property, plant and equipment on the date the obligation to "make good" the premises is established and is then subsequently depreciated over its useful economic life. Subsequent remeasurement of those dilapidations for changes in estimates of costs are recognised as an addition in the period that the dilapidations are remeasured.

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.

## Survitec Survival Craft Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

#### 2 Accounting policies (continued)

##### **Depreciation**

Depreciation is charged so as to write off the cost of the assets, other than land and properties under construction, over their estimated useful lives, as follows:

<i>Asset class</i>	<i>Depreciation method and rate</i>
Buildings	2% per annum
Plant and machinery	20% per annum
Motor vehicles	20% 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.

##### **Investments**

Investments in subsidiaries are shown at cost less accumulated impairment losses. Provisions for impairments are made when the recoverable amount of the Company's investment falls below the carrying value of the investment.

##### **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 profit or loss.

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.

## **Survitec Survival Craft Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### **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.

##### **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.

##### **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.

###### *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.



## **Survitec Survival Craft Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### **Leases (continued)**

The related right-of-use asset is accounted for using the Cost model and depreciated over the life of the lease. Right of use assets are tested for impairment when impairment indicators are identified

##### *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 operating expenses in the income statement

##### **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.

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.

##### **Provisions**

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 dilapidation provision is recognised for the full value of the reparation to the buildings' original configuration. The provision is estimated using third-party valuations from current period, 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.

## **Survitec Survival Craft Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### **Impairment of non-financial assets**

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

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

##### **Impairment of non-financial assets (continued)**

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

Prior impairments of non-financial assets (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.

##### **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 costs; 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.

## **Survitec Survival Craft Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### **Financial instruments (continued)**

###### *Subsequent measurement*

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

###### *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 and are held at amortised cost. Any gains or losses arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line in the profit and loss account.

###### *Other financial liabilities*

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

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, obligations under leases and borrowings.

###### *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.

## **Survitec Survival Craft Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### **Financial instruments (continued)**

###### *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.

## **Survitec Survival Craft Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)**

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

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**

Due to the forecast profitability profile of the Company, it would seem 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.

##### **Key sources of estimation uncertainty**

###### **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 in the current period, updated for changes in building condition and configuration.

###### **Recoverability of investments in and amounts owed from group companies**

The Company reviews amounts due from group companies regularly 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 companies in line with IFRS 9. To consider the impairment of the Company's expected credit loss of loans to group companies the fair value of the group company was compared to the Company's loan to the group company. On this basis, a reversal in expected credit loss of £2,254,000 (31 December 2020: £1,687,000) 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.

## Survitec Survival Craft Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

#### 4 Revenue

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

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Revenue from contracts with customers	<u>9,691</u>	<u>10,623</u>

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

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
UK	8,683	9,362
Rest of world	<u>1,008</u>	<u>1,261</u>
	<u>9,691</u>	<u>10,623</u>

#### 5 Other operating income

The analysis of the Company's other operating income for the year is as follows:

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Government grants	<u>43</u>	<u>170</u>

Government Grants relate to COVID-19 support measures made available by government. These schemes have been utilised to compensate for staff costs and amounts received have been recognised in the income statement in the same period as the costs to which they relate.

#### 6 Employee benefits expense

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

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Wages and salaries	3,947	4,309
Social security costs	408	450
Other employee expense	<u>3</u>	<u>200</u>
	<u>4,358</u>	<u>4,959</u>

# Survitec Survival Craft Limited

## Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

### 6 Employee benefits expense (continued)

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

	Year ended 31 December 2021 No.	Year ended 31 December 2020 No.
Administration and support	76	74
Sales, marketing and distribution	5	13
	<u>81</u>	<u>87</u>

### 7 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, remuneration in respect of the Directors paid by both the parent company and other related Group undertakings is not disclosed in these financial statements.

### 8 Operating profit

Arrived at after charging/(crediting)

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Depreciation of plant, property and equipment	164	196
Depreciation of right of use assets	72	82
Amortisation expense	77	91
Impairment reversal	(2,254)	(1,687)
Foreign exchange gains/(losses)	78	(27)
Loss on disposal of property, plant and equipment	-	113
Dilapidation provision created	<u>92</u>	<u>-</u>

### 9 Finance costs

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Bank charges	1	1
Interest expense on leases	<u>11</u>	<u>15</u>
	<u>12</u>	<u>16</u>

# Survitec Survival Craft Limited

## Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

### 10 Income tax

Income tax expense in the income statement

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
<b>Current taxation</b>		
UK corporation tax	8	31
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	9	1
Arising from changes in tax rates and laws	(6)	(4)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(2)	(12)
<b>Total deferred taxation</b>	<b>1</b>	<b>(15)</b>
<b>Tax expense in the income statement</b>	<b>9</b>	<b>16</b>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (31 December 2020: lower than the standard rate of corporation tax in the UK) of 19% (31 December 2020: 19%).

The differences are reconciled below:

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Profit before tax	1,680	1,136
Corporation tax at standard rate	319	216
Adjustments in respect of prior periods	(2)	(12)
Increase from effect of expenses not deductible in determining taxable profit	-	43
Increase arising from group relief tax reconciliation	118	79
Overseas tax on profits for the year	8	15
Deferred tax credit relating to changes in tax rates or laws	(6)	(4)
Reversal of impairment of amounts due from group companies	(428)	(321)
<b>Income tax expense recognised in the income statement</b>	<b>9</b>	<b>16</b>



# Survitec Survival Craft Limited

## Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

### 10 Income tax (continued)

The average tax rate for the current period is 19% (31 December 2020: 19%).

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.

### Deferred tax

Deferred tax movement during the year:

	At 1 January 2021 £ 000	Recognised in income £ 000	At 31 December 2021 £ 000
Accelerated tax depreciation	(95)	16	(79)
Temporary differences trading	121	(17)	104
Net tax assets/(liabilities)	<u>26</u>	<u>(1)</u>	<u>25</u>

Deferred tax movement during the prior year:

	At 1 January 2020 £ 000	Recognised in income £ 000	At 31 December 2020 £ 000
Accelerated tax depreciation	(126)	31	(95)
Temporary differences trading	153	(32)	121
Net tax assets/(liabilities)	<u>27</u>	<u>(1)</u>	<u>26</u>

# Survitec Survival Craft Limited

## Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

### 11 Intangible assets

	Software £ 000	Development expenditure £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 January 2021	12	1,159	1,359
Additions	10	-	10
At 31 December 2021	22	1,159	1,369
<b>Amortisation</b>			
At 1 January 2021	5	969	1,162
Amortisation charge	4	73	77
At 31 December 2021	9	1,042	1,239
<b>Carrying amount</b>			
At 31 December 2021	13	117	130
At 31 December 2020	7	190	197

**Survitec Survival Craft Limited**

**Notes to the Unaudited Financial Statements  
for the Year Ended 31 December 2021 (continued)**

**12 Property, plant and equipment**

	Land and buildings £ 000	Plant & Machinery £ 000	Motor vehicles £ 000	Total £ 000
<b>Cost or valuation</b>				
At 1 January 2021	2,020	1,447	5	3,472
Additions	<u>-</u>	<u>11</u>	<u>-</u>	<u>11</u>
At 31 December 2021	<u>2,020</u>	<u>1,458</u>	<u>5</u>	<u>3,483</u>
<b>Accumulated depreciation</b>				
At 1 January 2021	548	1,315	5	1,868
Charge for the year	<u>74</u>	<u>90</u>	<u>-</u>	<u>164</u>
At 31 December 2021	<u>622</u>	<u>1,405</u>	<u>5</u>	<u>2,032</u>
<b>Carrying amount</b>				
At 31 December 2021	<u>1,398</u>	<u>53</u>	<u>-</u>	<u>1,451</u>
At 31 December 2020	<u>1,472</u>	<u>132</u>	<u>-</u>	<u>1,604</u>

Included within land and buildings is land of £161,000 (31 December 2020: £161,000) which is not depreciated.

# Survitec Survival Craft Limited

## Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

### 13 Right of use assets

	Property £ 000	Plant & Machinery £ 000	Motor Vehicles £ 000	Total £ 000
<b>Cost or valuation</b>				
At 1 January 2020	285	17	21	323
At 31 December 2020	285	17	21	323
At 1 January 2021	285	17	21	323
Disposals	-	(17)	(21)	(38)
At 31 December 2021	285	-	-	285
<b>Accumulated depreciation</b>				
At 1 January 2020	66	8	8	82
Charge for year	66	8	8	82
At 31 December 2020	132	16	16	164
At 1 January 2021	132	16	16	164
Charge for the year	66	1	5	72
Eliminated on disposal	-	(17)	(21)	(38)
At 31 December 2021	198	-	-	198
<b>Carrying amount</b>				
At 31 December 2021	87	-	-	87
At 31 December 2020	153	1	5	159

## Survitec Survival Craft Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

#### 14 Investments

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
Survitec Viscom Limited*	Provision of visual training material	Findon Square Findon Aberdeen AB12 3RL Scotland	100%	100%

\* indicates direct investment of the company

#### 15 Inventories

	31 December 2021 £ 000	31 December 2020 £ 000
Raw materials and consumables	353	-
Work in progress	185	113
	<u>538</u>	<u>113</u>

No provisions against inventory have been created in the year (31 December 2020: created £19,000 to raw materials and consumables used during the year). Provisions against inventory as at 31 December 2021 are £53,000 (31 December 2020: £53,000).

#### 16 Trade and other receivables

	31 December 2021 £ 000	31 December 2020 £ 000
Trade debtors	2,473	940
Amounts owed by Group undertakings	7,537	5,008
Contract assets	-	892
Prepayments	122	78
Other debtors	99	34
	<u>10,231</u>	<u>6,952</u>

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

## Survitec Survival Craft Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

#### 16 Trade and other receivables (continued)

The Company applies IFRS 9 when measuring expected credit losses for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2021 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% (2020: <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 immediately. The total provision carried against these amounts is £46,000 (2020: £2,300,000) with an impairment reversal of £2,254,000 (31 December 2020: £1,687,000) recognised as a credit to the income statement in the year.

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

	Year-ended 31 December 2021 £ 000	Year-ended 31 December 2020 £ 000
Contract assets recognised at start of the year	892	969
Revenue recognised that was included in contract assets at the beginning of the year	(892)	(969)
Amounts recognised in revenue in the current year that will be invoiced in the future period	-	892
<b>Balance at the end of the year</b>	<b>-</b>	<b>892</b>

#### 17 Cash and cash equivalents

	31 December 2021 £ 000	31 December 2020 £ 000
Cash at bank	1,797	1,614

# **Survitec Survival Craft Limited**

## **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)**

### **18 Called up share capital**

Allotted, called up and fully paid shares

	31 December 2021		31 December 2020	
	No.	£	No.	£
Ordinary Shares of £1 each	80	80	80	80
Ordinary A Shares of £1 each	20	20	20	20
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

### **19 Leases**

For details of Right of Use Assets, see Note 13. 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 2021 £ 000	31 December 2020 £ 000
Within one year	62	75
Later than one year and not later than five years	26	69
Later than five years	<u>26</u>	<u>30</u>
Total lease liabilities	<u>114</u>	<u>174</u>

## Survitec Survival Craft Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

#### 19 Leases (continued)

##### Total cash outflows related to leases

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

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
<b>Payment</b>		
Payment of capital element of lease liabilities	93	92
Interest	11	15
<b>Total cash outflow</b>	<u>104</u>	<u>107</u>

#### 20 Provisions for liabilities

	Warranties £ 000	Dilapidations provisions £ 000	Total £ 000
At 1 January 2021	13	48	61
Provisions created	<u>-</u>	<u>92</u>	<u>92</u>
At 31 December 2021	<u>13</u>	<u>140</u>	<u>153</u>
Non-current liabilities	<u>13</u>	<u>140</u>	<u>153</u>

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

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

#### 21 Trade and other payables

	31 December 2021 £ 000	31 December 2020 £ 000
Trade creditors	309	665
Amounts due to Group undertakings	3,707	1,312
Other taxes and social security	180	129
Accruals	500	702
Other creditors	<u>3</u>	<u>-</u>
	<u>4,699</u>	<u>2,808</u>

Amounts due to Group undertakings are unsecured, interest-free and repayable on demand.

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



## Survitec Survival Craft Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

#### 21 Trade and other payables (continued)

	Year-ended 31 December 2021 £ 000	Year-ended 31 December 2020 £ 000
Contract liabilities recognised at the start of the year	-	1,038
Amounts invoiced in prior periods where performance obligations were satisfied during the year	-	(1,038)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>

#### 22 Contingent liabilities

The Company has cross-guaranteed the repayment of bank loans of certain entities in the Survitec Acquisition Company Limited group amounting to £270,000,000 (31 December 2020: £152,263,000).

#### 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 in which the Company's financial statements are consolidated is Survitec Acquisition Company Limited. The consolidated financial statements are available at the Internet address <https://find-and-update.company-information.service.gov.uk/>, or upon request at the Company's registered office (The Aspect, Fourth Floor, 12 Finsbury Square, London, England, EC2A 1AS).