Registration number: 09333067

# Survitec Acquisition Company Limited

Annual Report and Financial Statements

for Year Ended 31 December 2022

# Survitec Acquisition Company Limited

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# Survitec Acquisition Company Limited

## Company Information

Directors

R S Kledal
Jean-Francois Vingre

| | |
|---|---|
| Company secretary | J Henley-Price |
| Registered office | The Aspect, Fourth Floor<br>12 Finsbury Square<br>London<br>England<br>EC2A 1AS |
| Solicitors | Kirkland & Ellis International LLP<br>30 St. Mary Axe<br>London<br>EC3A 8AF |
| Independent Auditors | PricewaterhouseCoopers LLP<br>1 Embankment Place<br>London<br>WC2N 6RH |

## Survitec Acquisition Company Limited

## Strategic Report for the Year Ended 31 December 2022

The directors present their strategic report on Survitec Acquisition Company Limited (the "Company") and its subsidiaries (the "Group", "Survitec") for the year ended 31 December 2022.

The Vision for the Group is "To be the world's most trusted company for critical safety and survival solutions" and our Purpose is "We exist to protect lives".

Our Values are promoted and supported by the Board and Executive Management Team. The Survitec Code of Business Conduct and Ethics and our Group policies further ensure ethical conduct and compliance with the laws within the jurisdictions in which we operate. Together, these guide our decisions and support us in complying with applicable laws and promoting best practice.

Survitec's core Values reflect our Vision and Purpose, and the beliefs by which we conduct ourselves:

**Safety** and reducing risk is integral to everything we do;
We are committed to deliver real value and confidence to our **customers**;
We care for our **people** and invest in their development as individuals and teams;
We aim for **excellence** in everything we do;
We seek to **innovate** at every opportunity; and
**Integrity**: We do what we say we will do.

The Group Strategy is to:

Define the markets and customers that we can best serve to create value;
Deliver and continuously improve operational excellence to our customers;
Invest in the organisational capability to execute for our customers;
Deliver the right innovation process and pipeline; and
Ensure we realise the full returns of our investment and effort to deliver value.

**Fair review of the business**

Survitec is a resilient business with long term customer relationships which are supported by strong regulatory frameworks and by incumbent positions on major platforms.

The Group operates across a number of safety and survival markets and generated turnover for the year ended 31 December 2022 of £404,415,000 (31 December 2021: £372,509,000) from a range of services, solutions and equipment to the marine, and aerospace and defence markets. The Group's customers are principally larger organisations and enterprises who require robust and resilient solutions to meet the critical operational demands presented in the environments to which they operate in.

**Fair review of the business (continued)**

To best serve these markets and customers, the Group is currently organised into three business units, Marine, Hansen Protection and Aerospace and Defence. The respective key strengths and characteristics of these divisions are:

**Marine**
• Global market leader in the provision of products and services across the full Marine Safety portfolio (liferafts, marine evacuation systems ("MES"), suits, jackets, fire systems, lifeboats);
• High barriers to entry due to regulatory requirement for Original Equipment Manufacturer (OEM) servicing in marine evacuation systems and liferafts;
• Long term, blue chip customers have an installed base of products supported by a reputation for quality;
• Global offering delivered through over 400 locations; and
• Track record of market leading innovation.

**Aerospace and Defence**
• Leading expertise and manufacturers of critical safety equipment and systems for NATO militaries;
• Sole source on key US / NATO platforms (ejection-seat aircraft) including F35, Typhoon;
• Main supplier on key submarine platform for submarine escape and immersion equipment;
• Development of new healthcare products within the personal protection market; and
• Benefiting from continued global investment in defence technology given general geopolitical instability.

**Hansen Protection**
• Market leader in Norwegian Oil and Gas and European Offshore Wind Personal Protection;
• Strong reputation for consistent delivery of excellent products and services;
• Supports existing market leadership positions through continued product and service innovation;
• Ability to leverage the ongoing rebound in the oil and gas industry to drive revenues in both rental and sales of transportation and survival suits;
• Complements our own immersion and wearables business strengthening our position as a global leader; and
• Strong integrated services concept in the wind energy market.

The Group benefits from long term contractual relationships with its customers which are generally global in nature and operate across a range of sectors. This provides a degree of both sector and geographic diversification which generates more stability in short term revenue and a platform for sustainable growth aligned to global trends across a number of market sectors in the medium to longer term.

**Fair review of the business (continued)**

**Key performance indicators - Company**
The key performance indicator is the net asset/liability position. As at 31 December 2022, the Company had a net asset position of £134,881,000 (31 December 2021: £134,881,000). The company had no transactions during the year.

**Key performance indicators - Group**
The key performance indicators are turnover and operating (loss)/ profit before depreciation, amortisation, impairment of property, plant and equipment and intangible fixed assets and impairment of goodwill (Adjusted EBITDA).

Adjusted EBITDA for the year to 31 December 2022 was £21,648,000 (31 December 2021: £51,736,000) and is calculated as follows:

| | Year ended 31 December 2022 £ 000 | Year ended 31 December 2021 £ 000 |
|---|---|---|
| Operating (loss)/profit | (19,814) | 13,395 |
| Add back: Depreciation and amortisation | 39,027 | 38,341 |
| Add back: Impairment of intangible assets | 2,435 | - |
| Adjusted EBITDA | 21,648 | 51,736 |

**Fair review of the business (continued)**

The results for the Group show that turnover for the year is up 9% compared to the prior year, as a result of organic growth across the Marine division, specifically within the Fire and Wearables sectors, and as a result of the full year impact of the Hansen Group which were acquired in May 2021. However, the Group encountered a significant number of cost challenges over the course of 2022 as the business and the industries we serve continue to recover from the effect of the COVID-19 pandemic in the first half of the year, particularly in the APAC region, which was then compounded with significant increases in inflation in the second half of the year. The Group's ability to then pass on price increases was challenging, thus eroding margins across all divisions and the inflationary costs being absorbed by the Group. Management continues to focus on taking active steps to reduce costs through targeted procurement rationalisation and pricing initiatives, with the aim of improving selling price increases and lowering its overall cost base in a real time basis.

The loss before tax for the year to 31 December 2022 was £54,926,000 (31 December 2021: loss £25,160,000). In addition to the above impact of decreases in Adjusted EBITDA, the movement in the loss before tax is driven by a release of warranty provisions of £2,130,000 (31 December 2021: £2,206,000), and a gain on foreign exchange costs on foreign currency borrowings of £46,000 (31 December 2021: gain of £7,316,000).

For internal management reporting, management categorise as 'one-off' all costs that are considered non-recurring in nature. The Group incurred such one-off costs of £24,099,000 for the year (31 December 2021: £18,976,000). A significant proportion of the one-off costs are directly linked to project costs delivering future transformation investment to drive long-term performance. This investment shows the commitment of the Group in delivering future growth, through the development of new products and service offerings, whilst simultaneously improving profitability by investing in digital and operational transformation projects across the Group, with the aim of improving operational effectiveness and reduced cost base.

To ensure that the Group can maintain its strong position in the global marketplace, the Group invested in new and existing product development and research programmes. During the year, the Group has expensed £546,000 (31 December 2021: £614,000) on research programmes. The Group has capitalised £5,312,000 (31 December 2021: £5,952,000) in respect of product development projects and £6,814,000 (31 December 2021: £2,417,000) relating to IT transformation programmes, with an impairment charge of £2,435,000 (31 December 2021: £Nil) recognised during the year. Please refer to notes 9 and 16. The key new product development was the Seahaven programme, which is a revolutionary slide-based rigid inflatable lifeboat for the mass evacuation of passengers and crew from Cruise ships. Seahaven is the largest capacity evacuation system available and passed heavy weather trials in February 2022 before its commercial launch in April 2022 at the Miami Seatrade Cruise Fair. Seahaven also received Lloyds Register certificate of type approval in July 2022.

Supply chain challenges over the past 20 months, have necessitated an increased investment in inventory to buffer stock levels and negate the impact of longer lead times, which has facilitated the Group's ability to continue to meet manufacturing requirements and customer demand. The Group has been focussed on maintaining a strong underlying balance sheet, ensuring servicing of debt and management of working capital. The Group is now taking active steps to reduce inventory levels, thus improving its working capital position and continue its procurement rationalisation and pricing initiatives.

**Fair review of the business (continued)**

The Consolidated Statement of Financial Position shows a net asset position as at 31 December 2022 of £13,688,000 (31 December 2021: £63,152,000 as restated). This was driven by a loss in the year of £54,779,000 (31 December 2021: loss £16,144,000 as restated), offset by gains within Total Other Comprehensive income of £5,315,000 (31 December 2021: expense £1,886,000).

There were bank and shareholder loans of £330,780,000 (net of capitalised transaction costs) as at 31 December 2022 (31 December 2021: £260,796,000) as described in note 25. The average number of full-time equivalent employees for the year ended 31 December 2022 has increased by 14, from 2,961 to 2,975.

**Refinancing Activity**

In June 2022, the Group entered into a revolving credit facility ("RCF") with a value of £12,500,000. This is in addition to the existing facility of £27,500,000 of which £24,500,000 was drawn during the year. Both facilities were fully drawn at the year end.

In September 2022, the Group entered an international factoring arrangement ("ABL"). Under the terms of the agreement, the Group committed certain of its companies, to a non-recourse revolving receivables financing facility, under which the purchaser purchases all of the eligible receivables of the Seller (Group Companies), on an ongoing basis. During the period, the Group sold £13,100,000 of trade receivables under the arrangement.

In December 2022, the Group sought additional financing from existing shareholders. As part of the transactional steps, this resulted in a new subsidiary of the Group, Ocean Newco 2 Limited receiving £30,000,000 in additional funding from existing shareholders which was transferred into the Group. The loan is repayable in December 2023 unless mandatorily convertible criteria are met, in which case, the loan will be fully converted to shares in the ultimate parent Company, Ark Topco Limited. A further £20,000,000 of shareholder convertible loan notes have been drawn down in June 2023.

During June 2023, the Group successfully negotiated a reset of the financial covenants under the Group's external loan and RCF as well as certain other amendments to provide increased financial headroom to the Group. This included resetting the applicable covenant tests as at December 2022 and March 2023. As conditions of the amendment to the Group's facilities the existing shareholder convertible loan notes totalling £50,600,000 will be converted into equity and the £12,500,000 RCF which is due for repayment in August 2023 is to be replaced with a new facility provided by the Group's primary lending syndicate. Since the negotiations concluded post the balance sheet date, the external loan has been classified as current as at 31 December 2022, refer to note 25 for more details.

**Section 172(1) statement**

Directors' Duties

The Directors of Survitec Acquisition Company Limited must act in accordance with a general set of duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

When making decisions, the Directors of a company must act in the way they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, have regard to:

a) likely consequences of any decisions in the long term;
b) interests of the Company's employees;
c) need to foster the Company's business relationships with suppliers, customers and others;
d) impact of the Company's operations on the community and environment;
e) desirability of the Company maintaining a reputation for high standards of business conduct; and
f) need to act fairly between members of the Company and consistent with its values.

In discharging their duties, the Directors have had regard to the factors set out above, as well as other factors relevant to the decisions being made.

**Section 172(1) statement (continued)**

Throughout the year, the Directors recognised their responsibility to act in good faith to promote the success of the Company for the benefit of shareholders, while also considering the impact of their decisions on wider stakeholders and local communities. Clear communication and proactive engagement with all stakeholders is an essential requirement, ensuring issues and factors which are most important to all parties are understood.

The Board acknowledges that every decision made will not necessarily result in a positive outcome for all stakeholders. By considering our Values, together with our strategic priorities, the Board aims to ensure that the decisions made are consistent and intended to promote the Company's long-term success.

Leadership

As the Group continues to evolve, the following new introductions to the Board have been made;

Group Chairman, Phil Swash (appointed November 2022)
Group CEO, Robert Kledal (appointed November 2022)
Group CFO, Jean-Francois Vingre (appointed January 2023)

The Board will be responsible for setting Survitec's strategic direction. They will continue the transformation work, positioning Survitec customers at the heart of every decision while achieving profitable growth.

A key focus for the Board will be Survitec's workforce of over 2,800 professionals, ensuring they feel connected to the Survitec Purpose, which is "We Exist to Protect Lives".

*Transformation programmes*
Following the substantial completion of transformation programmes rolled over from preceding years, the Group's focus moves to refreshing the design of the organisation and strategic growth, both organically and through acquisition. To support these initiatives, there is continued investment across a number of Group wide simplification and continuous improvement programmes, embedded in the 5-year strategic value creation plan. This includes the continuous improvement of organisational design and processes, along with enhancement of the digital landscape of business operations.

The Directors recognise that the continuous improvement programmes continue to require rigorous Board oversight, detailed project management and continuous improvement to ensure a successful outcome and mitigate any execution risk. The previous transformation plans have delivered in year benefits, with further benefit to be delivered as the initiatives continue to be rolled out and executed.

Looking forward, the Group has a well-developed five year strategic plan for 2023-2027. The Group will launch a new organisational structure in 2023, designed to make Survitec an even better partner, with a focus on increased levels of customer centricity, business agility and reduced cost base.

**Section 172(1) Statement (continued)**

Leadership (continued)

The strategy has been updated to reflect changes in the external and internal environments over the last twelve months and is based on six key areas:

• Embed a strong culture change with Survitec values at the centre, reinforced through strong governance and performance structures;
• Defend the Group's leading positions, strengthen the customer base and grow through instilled product portfolio;
• Introduce new products and services of industry leading quality, grow the Group's markets, including geographic expansion and exploitation of digital platforms;
• Build front end sales and commercial capabilities;
• Build a scalable efficient operating platform exploiting digitalisation; and
• Identify and complete value creating M&A in line with Group strategy.

The directors recognise the risks the Group may encounter across a changing global landscape in the following key areas:
• High inflation - energy prices; increased production costs; wage growth;
• Shift in global trade - geopolitical risk with impacts of commodity supply; natural resource supplies; supply chain challenges.
• Labour market constraints - competition for talent; travel constraints; work from home culture;
• Commodity process and critical components - market volatility; shortage of key components; and
• Global movement of goods and supply chain challenges - shortages; manufacturing lead times; transportation.

With the ongoing conflict in Ukraine, management continue to enforce the following actions:
• Legal and Compliance have conducted a Group audit of all business activities related to Russia including customers, suppliers, third parties and vessels;
• A block has been put on all Russian customers without prior express approval of Legal and Compliance;
• Daily batch screening of all customers and supplier conducted with alerts from Dow Jones and Lloyds Register.

The Board and Executive team are addressing the above risks through rigorous oversight across various financial and operational management programmes and the Risk Management Framework which involves the pro-active continued identification, evaluation and response to identified risks.

**Section 172(1) statement (continued)**

Customer engagement
Underpinned by a diversified loyal customer base and the provision of business critical products and services for the safety of their customers and employees, Survitec is well-placed to defend its position within its current markets and grow in new customer segments and markets.

Differentiation through best-in-class service, broad market portfolio and high-quality products, at competitive prices, alongside a customer centric model that designs and delivers value to customers, are key areas of customer focus for the Global sales and Commercial teams.

Our People
At Survitec, we care for our people and invest in their development as teams and individuals. Our values of *safety, people, customers, integrity, excellence, and innovation are the foundation of how we interact with one* another and our customers.

*Attracting the right calibre talent*
To enhance our recruitment process, we created competency frameworks, improved our hiring-to-retirement procedures, and strengthened our ability to attract and retain top talent.

*Building a One Survitec culture*
Survitec maintained its focus on building a unified culture where our global workforce works as "One Survitec" to assist each other and our customers. A strong communication and engagement programme aligned to four content pillars of culture, customer, process and solutions was rolled out on our internal communications channel, Survitec Connect.

Survitec's *Women in Safety Group celebrated their second-year milestone. The female networking group* provides a support mechanism for women to share their stories, gain ideas and improve the talent pipeline. Guest speakers have included Survitec colleagues alongside members of the Antarctic Fire Angels, the founder of the Women's Engineering Society, serving members of the RAF, Directors at Thales, and well-established authors.

**Section 172(1) statement (continued)**

Our People (continued)

In 2022, our Diversity and Inclusion ("D&I") Committee included the area of Communication to promote the committee's work across the business. This brings the D&I scope of work to five areas: Acceptance, Commitment, Communication, Diverse Talent and Talent Utilisation. Our work has facilitated our nomination for two industry equity, diversity and inclusion awards.

Three new policies were launched during the 2022 period. The Dispute Resolution Policy is a framework to raise and address concerns, problems and complaints fairly and promptly. The Job Design & Families Policy outlines our approach to job design, job families and job descriptions, helping us set clear career paths, be transparent about the skills needed to progress and ensure that we are paying fairly for the same type of work across our portfolio. And finally, the Global Capability Policy is a framework designed to support and encourage colleagues to achieve and maintain the required performance standards. The policy also ensures that Survitec has fair and effective arrangements for dealing with performance and capability matters.

Once again, we came together as One Survitec giving back to the communities we live and work in for our second annual Purpose Day. Colleagues availed of a half day to volunteer in local communities, from helping food banks to litter picking around our coastlines, demonstrating the importance of giving back.

*Training & developing our people*
We remained committed to offering training and development opportunities for our colleagues. This year, we provided diverse programmes, such as Marine Products, Compliance, Ethics, Purpose, Vision, Values ("PVV"), and sales excellence.

The Group's Performance and Development review ("PDR") process is critical to the success of Survitec and for our colleagues to set clear personal objectives for the year. The process aligns to the wider strategy, driving behaviours, values thus identifies the support, training and development, that our colleagues need to succeed.

*Rewarding our people*
The Group's appreciation programme, the Survitec Excellence Awards, has been met with resounding success in 2022, with colleagues showcasing outstanding engagement. The programme celebrates exceptional performance and rewards individuals who consistently go above and beyond in their work, embodying Survitec's core values. In 2023, all colleagues will be granted an additional day's leave entitlement on their birthday.

**Section 172(1) statement (continued)**

*Our People (continued)*

*Employment of disabled persons*

The Company's policy in relation to the employment of disabled persons is, where practicable, to continue to employ colleagues 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.

*Colleague involvement*

The Company has continued its practice of keeping colleagues informed of matters affecting them and the financial and economic factors affecting the performance of the Company. Directors and Management consider the interests of colleagues when taking strategic decisions. Colleagues are kept informed of any relevant information through regular management and colleague review meetings and Company-wide briefings. Regular consultation is encouraged between Management and colleagues at each of the Company's operating locations.

To amplify colleagues' voices and foster a more engaged and productive workforce, we took a proactive step in December 2022 by conducting a colleague engagement survey. This initiative gave the company's leaders a direct line to the invaluable feedback of their colleagues to understand their concerns and outline actionable solutions to tackle these.

As a Group that values its people, we recognise the importance of nurturing a supportive and fulfilling work environment. The survey results will undoubtedly serve as a catalyst for the Group's leadership to make informed decisions that prioritise the well-being and professional growth of its workforce.

Business Relationships

Our customers span a number of markets including Defence, Maritime, Aviation, Energy, Wind, Oil and Gas, and include both private and Government bodies that require safety equipment that is critical to the safety of their staff and customers. We regularly liaise with our customers to ensure our products are of the highest standards and meet the critical requirements of the customer and the end user. Without meeting and maintaining such standards we would lose our competitive position in the markets in which we operate. We work collaboratively with customers to ensure changes in legislation for safety equipment are appropriately incorporated into the goods and services we supply.

In 2022, the Group actively worked with suppliers on goods and services critical to the effective operation of our entire value chain, from product development through to manufacturing and the supply of our safety equipment. We regularly engaged with suppliers to ensure a mutually beneficial partnering arrangement for goods and services.

The Board and management maintain a regular and constructive dialogue with investors and relationship banks to communicate the Group's strategy and performance in order to promote investor confidence and ensure continued access to capital. In addition to the stakeholder considerations, the Board has also had regard to the pension trustees and other factors such as environmental impact and community interests.

**Section 172(1) statement (continued)**

Community and Environment
Please refer to the Environmental and Sustainability Report below.

Risk Management
Our risk management process is designed to identify key risks and to provide assurance that they are fully understood and managed in line with management's risk appetite.

The Board has overall responsibility for risk management and internal controls, and for reviewing their effectiveness. Certain responsibilities have been delegated to the Audit and Risk Committee. The Board is chaired by the Group Chairman who is appointed by the shareholders. The Audit and Risk, Compliance and Remuneration committees are chaired by independent non-executive directors.

The risk management process is embedded at the business unit level and is supported by the bottom-up risk process within each business units. The executive maintains an overall Group risk register, which is reviewed four times a year by the Audit and Risk Committee and is formally discussed with the Board.

To support risk discussions, the Group risk register captures the Group risks to achieving Survitec's objectives and identifies the potential impact and likelihood at both a gross and net level. The business unit leadership teams review each of the business unit risks regularly through an annual risk deep dive process. The updated risk assessments and the changes are then discussed at the Audit and Risk Committee.

The executive requires a quarterly certification from the top 200 leaders in the organisation that they are responsible for managing their business objectives and internal controls to provide reasonable, but not absolute, assurance that the risks in their areas of responsibility are appropriately identified, evaluated and managed. This is reported quarterly to the Audit and Risk Committee. Internal Audit and Risk provides the Audit and Risk Committee with a risk management update at each meeting. Any issues identified by this process are formally logged, with remediation actions to address them.

The Board receives updates on risk management and internal controls from the Chair of the Audit and Risk Committee. The Audit and Risk Committee assesses the effectiveness of the internal controls on an ongoing basis.

Shareholders and Lenders
The Directors are committed to openly engaging with the shareholders and lenders, as the importance of a continued and effective dialogue is recognised. It is important to the Directors' that the shareholders and lenders understand the strategy and objectives of the Group, so these must be explained clearly, with the option for feedback or any other issue raised being properly considered.

**Section 172(1) statement (continued)**

**Environmental and Sustainability**

Embracing the principles of caring for our environment
Survitec is committed to doing everything we can to operate in a way which is both environmentally friendly and ecologically sustainable. Our immediate focus is to make regular and continuous improvements, embracing the environmental challenge and continuously looking for opportunities to better our environmental performance. We are taking a proactive approach with our employees, customers and suppliers ensuring that the principles of caring for the environment and sustainability are embedded in our business.

In the year we continued our environmental initiative to reduce the use of single use plastic across the business and discontinuing the use of bubble wrap with the introduction of re-usable poaches for pyrotechnic and medical kits in rafts. We are assessing the use of solar and other energy sources to move to carbon neutral energy in production facilities, and products are developed with ESG in mind. We aim to make a positive contribution to protecting the environment by tackling what we can, where we can, as well as educating and encouraging best practice throughout our company.

Governance
Our current ISO 14001 approved Management System is being enhanced and extended to include all non-accredited sites and offices across Survitec's Global operations.

Strategy
Investment in new technology that reduces size, weight and power consumption of products and carbon emissions is an important differentiator in the Group's markets. Areas of focus are potential use of lightweight buoyancy materials, recycled rope materials and carbon fibre.

Risk Management
As part of Survitec's commitment to an enhanced Environmental Strategy, we have begun to develop new Global Operational Controls, (IAW ISO 14001), that will make up one third of the Integrated Management System that mandates annual Environmental Management Reviews. These reviews are conducted at Operational, Regional and Group levels to ensure local, national and international regulatory, socio-economic and environmental risks are identified and prioritised for action.

Guaranteed compliance and effective audit programme
Our current ISO 14001 approved Management System is being extended to include all Survitec sites and offices across our Global operations, implementation will be completed in 2023.

Waste reduction measures
We endeavour to reduce waste at source and to encourage repurposing or recycling wherever possible and practical. Furthermore, we ensure that any waste that does arise is treated responsibly and disposed of compliantly and with minimum impact to our shared planet.

**Section 172(1) statement (continued)**

**Environmental and Sustainability (continued)**

Actively support pollution prevention
Investment in new technology that reduces size, weight and power consumption of products and Co2e emissions is an important differentiator in the Group's markets. Areas of focus are use of new lightweight, sustainable materials, recycled polymer materials and carbon fibre, we are also working with the Henry Royce Centre on breakthrough materials that will aid our future objective of becoming a Net Zero business.

As part of Survitec's commitment to an enhanced Environmental Strategy, we have begun to develop more stringent Global Operational Controls, (IAW ISO 14001), that will make up one third of the Global Integrated Management System that mandates annual Environmental Management Reviews. These reviews are conducted at Operational, Regional and Group levels to ensure local, national and international regulatory, socio-economic and environmental impacts are assessed and any potential risks are eliminated or managed appropriately.

As part of our ISO 14001 accreditation, we perpetually monitor our emissions, waste and product recyclability to ensure we constantly improve our environmental performance. We strongly support the reduction of greenhouse gases and the principles of pollution prevention in order to reduce any adverse environmental impacts. We are also committed to respond to any incidents timely, proportionately and effectively to reduce the risk to people and the environment.

**Principal risks and uncertainties**

We define a principal risk as a risk or combination of risks that would threaten the business model, future performance, solvency or liquidity of Survitec. In addition to these principal risks, we continue to be exposed to other risks related to strategy, quality, IT, health & safety, supply chain, compliance & legal, operations, change management and people. These risks are subject to our normal procedures to identify, implement and oversee appropriate mitigation actions, supported by internal audit work to provide assurance.

**Competitive Markets**
The risk of losing customer sales due to competitor behaviour or market changes.

• Risk drivers: The markets in which the Group operates react to global and industry specific macro-economic trends, such as Government defence spending, global oil prices, regulatory requirements and increase in key commodity prices.

• Impact: Customer sales lost to competitors as a result of increased sales pricing passed onto customers due to inflationary pricing pressures.

• Mitigation: The Group manages this risk by providing a high standard of service to its customers, sourcing quality, price competitive materials and maximising global purchasing capabilities. Additionally, investing in new and existing products, responding quickly to customer requirements and maintaining strong relationships.

The risk is additionally offset by a broad, highly regulated product, a global geographical footprint and further acquisitions to broaden the Group's portfolio.

**Principal risks and uncertainties (continued)**

**Geopolitical and Inflation Risks**
The War in Ukraine heightens inflation risks and challenges the global economy.

• Risk drivers: The negative effects of tensions between Russia and the West could cause prolonged negative effects on business investment and consumer spending. Combined with the disruptions to the energy and commodity supply, the war is likely to push up inflation for longer and impact global economic growth.

• Impact: Higher energy prices are one of the main factors which would directly impact production costs for manufacturing goods. Availability of gas exports, especially to Europe, could change if sanctions are tightened further. Supply chain pressures and raw material shortages create further disruption and delays plus an increase in the raw material cost base.

• Mitigation: The Group manages this risk by actively sourcing new products and maximising global purchasing capabilities. Maintaining strong relationships with suppliers across our global network, to plan for both supply chain challenges and inflationary price increases. There is a continuous review of sales pricing, and where necessary, passing on price increases to the customer to mitigate exposure.

**Warranty risk**
As the Group's activities include the development of critical safety products, if a product failed to operate as designed, this could expose the Group to warranty claims from customers and other affected parties. There could also be other repercussions if there was injury or loss of life due to product failure. The Group manages this risk through a thorough FMEA (Failure Mode Effect Analysis) and product design and evaluation process. This includes extensive testing of the products to ensure that they are fit for purpose prior to entry into service, this will also include obtaining the appropriate certifications from regulatory authorities.

As part of Management's ongoing operational reviews, additional assessments were performed and modelled to consider the risk of product warranty matters and additional warranty provisions of £589,000 (31 December 2021: £200,000) were recognised. A total of £1,375,000 (31 December 2021: £682,000) was utilised and a total of £2,130,000 (31 December 2021: £2,206,000) was released to the Income Statement. In addition, £Nil was acquired through business combinations (31 December 2021: £655,000) and £7,000 of foreign exchange losses were recognised (31 December 2021: £7,000 gains). There remained a warranty provision of £6,032,000 at the year-end (31 December 2021: £8,941,000). Releases were based on updated information available to management around the number of products subject to warranty as well as the passage of time.

Please refer to note 27 for additional information.

**Future developments**

Looking forward across the next 12 months, the Group anticipates an overall revenue growth in 2023. In the Marine division across the following sectors, New Build Fire, Wearables and Liferaft hire and within the Aerospace & Defence division. Strong recurring revenues ensure that a substantial amount of the 2023 order book is already secured.

Macroeconomic factors of high inflation across labour, products and commodities within the current recessionary environment has created margin erosion and working capital constraints across the group. The Group is taking active steps to reduce inventory levels, thus improving its working capital position and continue its procurement rationalisation and pricing initiatives, to drive a lower cost base. The Board and Executive team continue to monitor all trading aspects of the Group to mitigate any associated risks and manage any potential exposure to its business operations.

Transformational programmes will transition into continuous improvement initiatives embedded in the culture of the business to further align the organisational structure to its identified market opportunities, in turn delivering sustainable growth.

Continuous project management of the improvement programmes, monitoring both benefits achieved, benefits still to be achieved and ongoing costs to achieve, and therefore managing the risk to the business, is a key programme for management review.

In addition to the digital transformation programmes, the Group will continue to invest in the continued enhancement of manufacturing and supply chain operations, giving the business the opportunity to meet customer demands while reducing cost and improving working capital management. Targeted cost reduction opportunities for the business will be pursued across all three divisions to align with management reporting lines.

The Group will continue to monitor trends in its key markets and actively assess any strategic growth or acquisition opportunities as they arise.

Approved by the Board on 30 June 2023 and signed on its behalf by:

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R S Kledal
Director

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Jean-Francois Vingre
Director

## Survitec Acquisition Company Limited

## Directors' Report for the Year Ended 31 December 2022

The directors present their report and the audited consolidated Financial Statements for the year ended 31 December 2022.

**Directors' of the group**

The directors, who held office during the year, and up to the date the financial statements were approved, were as follows:

R S Kledal (Appointed 14 November 2022)

L E McClelland (Appointed 14 November 2022 and Resigned 31 March 2023)

R C A Leclercq (Resigned 2 November 2022)

R M Krisanda (Resigned 7 November 2022)

The following director was appointed after the year end:

Jean-Francois Vingre (Appointed 31 March 2023)

**Principal Activities**

The principal activity of the Company is that of an intermediate holding company.

In recent years, Survitec Group has solidified its position as the world's leading provider of critical safety and survival solutions for the marine and defence markets. Survitec provides survival and safety solutions across the globe through the design, manufacture and service of critical safety solutions. The Group operates in over 35 countries and employs 2,975 people.

The subsidiary undertakings affecting the profits and/or net assets and net liabilities of the Group in the year are listed in note 14 to the financial statements.

**Events after the year end and future developments**
Future developments have already been included in the Strategic Report.

In June 2023, a further £20,000,000 in funding was drawn down by Ocean Newco 2 Limited against the new shareholder facility, increasing the total drawn to £50,000,000.

**Results and Dividends**

The loss after tax for the year-ended 31 December 2022 is £54,779,000 (31 December 2021: £16,144,000 (as restated)). A review of the performance of the business and a view on future developments of the business is set out in the Strategic report and is included in this report by cross-reference.

The Directors do not recommend a dividend on the ordinary shares for the year ended 31 December 2022 (31 December 2021: £Nil).

## Business conduct

The Directors are committed to and responsible for ensuring that the Group conducts itself in accordance with the highest standards of integrity and transparency. The Group complies with all relevant anti-bribery and corruption legislation, including the UK Bribery Act 2010 and all relevant trade sanctions and export controls. The Group 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 the Group. The Policy will be kept under review and may be varied from time to time so as to ensure effective compliance. The Group has branches in Azerbaijan, Fujairah and Italy.

## Whistleblowing

Our internal whistleblowing facility (Survitec Hotline), which includes a telephony service and web-based portal, is operated by a third-party service provider. Our global programme continues to provide a confidential and secure means for our employees, business partners, and other external stakeholders to report concerns about conduct that is contrary to our Values, Code of Business Conduct and Ethics. All reports are confidential and reporters are able to submit their disclosures anonymously. We review, assess and, where necessary, investigate all reports made. Oversight is provided by the Board Compliance & Ethics Committee.

## Risk Management

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

*Foreign exchange rate risk*

The Group, whilst headquartered in the UK, operates in geographically diverse locations, with 81% (31 December 2021: 76%) of its sales being made outside the UK. It is therefore exposed to movements in exchange rates. The Group is generally naturally hedged, but where not, we seek to minimise this impact on its local operations by the use of multi-sourcing of its key materials and the use of foreign exchange contracts. The key currencies that impact the Group's performance, and that the Group therefore seeks to mitigate the impact of exchange rate movements on, are the Euro, Norwegian Krone, US Dollar, Australian Dollar and Singapore Dollar.

*Interest rate risk*

The Group has both interest-bearing and non-interest bearing assets and liabilities. Interest bearing assets include only cash balances, all of which earn interest at variable rates. Interest bearing liabilities relate mainly to bank loans, overdrafts and leases. Core debt is subject to interest at a fixed margin plus variable rate. In December 2022, the Group purchased an interest rate cap until August 2025, from floating to fix to cover 75% of the Unitranche loan of £270,000,000 excluding PIK interest. The interest rate swap will smooth-out the rising and volatile interest rate environment. The Audit and Risk Committee regularly reviews interest rate risk.

# Survitec Acquisition Company Limited

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

**Risk management (continued)**

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

*Liquidity and funding risk*
The Group uses a mixture of central long term debt, committed facilities and cash to maintain liquidity. This is managed by Group Treasury who ensure that sufficient funds are available for ongoing operations and developments and also manage liquidity thresholds per the debt covenants. The Group centralises cash at Head Office by regular cash repatriation from subsidiaries. A weekly sixteen week cash flow forecast is used to monitor short term liquidity in conjunction with available committed facilities. In addition, liquidity is monitored against budget and longer term forecasts. The Group continues to use budget and five year forecasts to determine any future anticipated funding requirements. In September 2022, the Group entered into a non-recourse revolving receivables financing facility to further aid the management of liquidity risk. In addition to receivables financing the Group drawndown RCF funding and additional loan from shareholders via project Ocean as noted in the Strategic Report.

For further details surrounding the Group's liquidity and funding risk, refer to the Going Concern section in Note 2.

*Warranty risk*
Please refer to the 'Principal risks and uncertainties' section in the Strategic Report for consideration of warranty risk.

### Risk management (continued)

*Climate risk*
Survitec has assessed the top climate related risks relevant to the business:

Extreme weather could lead to supply chain or transportation issues, reduced production capacity, relocation of premises and thus reductions in revenue. The impact on the business has been assessed as short-term, moderate. The Group is planning to review the global Business Continuity Plan process to ensure that adaptation can be considered for all sites and in particular, vulnerable locations and future acquisitions.

Market changes could lead to increased costs for gas and electricity as well as other raw materials and risks related to the extensive supply chain. The Group will, in the future, be subject to increased reporting requirements which will have a time and cost impact. This risk has been assessed as significant and will impact in the next 1 to 3 years. The Group is planning to form a strategy around sustainable procurement, and to implement mitigation measures to reduce the impacts.

Technology risk. Alternative energy solutions could be costly to implement and will have a longer-term payback. This risk has been assessed as more long term with limited short-term risk. The Group will continue to pursue renewable energy options and identify those locations that can benefit from alternative sources.

### Political donations

There were no political donations made by the Group during the year (31 December 2021: £Nil).

### Gender equality

Survitec are an equal opportunities employer and are committed to reducing the gender pay gap where it exists.

### Research and development

The Group is continually undertaking research and development in respect of improvements to the production process and the development of new products. During the year, the Group has expensed £546,000 (31 December 2021: £614,000) on research programmes. The Group has capitalised £5,312,000 (31 December 2021: £5,952,000) in respect of product development projects and £6,814,000 (31 December 2021: £2,417,000) relating to IT transformation programmes.

**Corporate governance**

The Survitec Group is part of 'Ark TopCo Limited' at which level the Board administers oversight to its operating companies which include Survitec Acquisition Company Limited. The Board consists of 8 members and includes the Group Chairman, Group Chief Executive Officer, Group Chief Finance Officer, two Shareholder Representatives and three Non-Executive Directors. The role of a Non-Executive Director has been strengthened to provide further transparency to the Board. The size of the Board is guided by its constitutional documentation, scale and complexity of the Group, and markets in which it operates.

The Survitec Group has its own Corporate Governance Guidelines which details the roles of the Executive and Non-Executive Directors. Directors meet five times a year (previously monthly) and on an as-needed basis for discussion of matters such as corporate governance and management of the business. In addition, the Shareholder Representatives are invited to monthly operational reviews, which fall in the months when no board meeting is held.

The Board and independent Non-Executive Directors have a clear understanding of their accountability and responsibilities. The Board's policies and procedures are there to support effective decision-making and independent challenge. This is clearly shown as the Group adopts the 'Company with committees' governance structure.

The Board has responsibility for the Group's overall approach to strategic decision-making and effective risk management (financial and non financial) including reputational risk. The Board is also key in promoting the long-term sustainable success of the Company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks. The Board utilises each of the committees to help with the consideration of matters such as financial control and reporting risk, succession, remuneration and compliance. The terms of each committee have been clearly set out.

In addition to appointing an established Board of Directors the Group also relies on the support of the following committees; each of which meet, at a minimum quarterly, and are Chaired by an independent Non-Executive Director:
• Audit and Risk Committee;
• Remuneration Committee; and
• Compliance & Ethics Committee.

A quarterly management certification process continues, and the outcomes are discussed with Management and Non-Executive Directors. The Survitec Group has an Group Chairman whose role is to set the strategic direction of the Group by continuously re-evaluating and enhancing the strategy, to drive operational and financial improvements. The Group Chairman is supported by a Group CEO, Group CFO and senior management team with a balance of skills, backgrounds, experience and knowledge, and who have sufficient capacity to make a valuable contribution.

In year, further steps have been taken, as part of the transformation programmes, to enhance and increase the Board's visibility by further separating functions within the business and their execution teams. For details of engagement with suppliers, customers and others in a business relationship with the Group please refer to the s.172(1) disclosures included within the Strategic Report.

**Employment of disabled persons**

The Group'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 Group 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 Group.

Directors and Management consider the interests of employees when taking strategic 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 Group's operating locations.

**Streamlined Energy and Carbon Reporting**

This report summarises Survitec's energy usage, associated emissions, energy efficiency actions and energy performance under the government policy Streamlined Energy & Carbon Reporting (SECR), as implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Under the SECR legislation the Group is mandated to include energy consumption, emissions, intensity metrics and all energy efficiency improvements implemented in our most recent financial year. An organisational boundary has been applied for the purposes of the reporting, such that only Group entities that are incorporated in the United Kingdom are considered.

The three broad scopes for emissions:

• **Scope 1** comprises direct emissions from fuel (including natural gas) use to generate electricity, heat, or steam. These emissions result from combustion of fuels in stationary sources, for example boilers, furnaces, turbines, material, chemical processing, and waste processing, transportation of materials, products, waste, and employees. These emissions result from the combustion of fuels in Group owned transportation (e.g. trucks, trains, ships, aeroplanes, buses, and cars) from transport (where a journey starts or ends in the UK).
• **Scope 2** comprises indirect emissions from purchased renewable and non-renewable electricity purchased and used in operations.
• **Scope 3** comprises indirect emissions and energy use, and related emissions from transportation of purchased materials, goods, sold products and business travel in trains, ships, aeroplanes, buses, not owned by the Group, and rental cars and employee owned vehicles where the Group is responsible for purchasing the fuel.

**Streamlined Energy and Carbon Reporting (continued)**

**Greenhouse emissions**

| | Year ended 31 December 2022 UK Consumption (kWh) | Year ended 31 December 2022 UK Consumption (tCo2e) |
|---|---|---|
| **Utility and Scope** | | |
| Grid-Supplied Electricity (Scope 2) | 958,730 | 185 |
| Gaseous and other fuels (Scope 1) | 2,302,144 | 458 |
| Transportation (Scope 1, 2 and 3) | 1,965,075 | 465 |
| **Total** | 5,225,949 | 1,108 |

| | Year ended 31 December 2021 UK Consumption (kWh) | Year ended 31 December 2021 UK Consumption (tCo2e) |
|---|---|---|
| **Utility and Scope** | | |
| Grid-Supplied Electricity (Scope 2) | 1,400,525 | 297 |
| Gaseous and other fuels (Scope 1) | 3,119,446 | 612 |
| Transportation (Scope 1, 2 and 3) | 1,001,288 | 235 |
| **Total** | 5,521,259 | 1,144 |

**Streamlined Energy and Carbon Reporting (continued)**

**Greenhouse emissions (continued)**

**Intensity metric**

An intensity metric of 9.52 $tCO_2e$ per £m turnover has been calculated for the annual total emissions, the prior year figure was 8.87.

**Energy Efficiency Improvements**

We are committed to year-on-year improvements in our operational energy efficiency. As such, a register of energy efficiency measures available to us has been compiled, with a view to implementing these measures in the next 5 years.

**Measures ongoing and undertaken through 2022**

The Group's largest site in Dunmurry has installed portable electrical usage monitoring equipment. This monitors in 15-minute blocks over 24 hours and has been placed on distribution boards or individual plants in Bay 1 welding. A timer has also been introduced to the distribution board, ensuring all the machines are turned off between 6 pm and 6 am. After seeing the significant reduction in electrical usage in Bay 1 welding, this timer has been extended to the life jacket areas, where a significant percentage of machines are located.

We also undertook LED lighting replacement programmes in our Dunmurry offices and at the Grimsby site. Additionally, replacement cladding and roof areas have been introduced in the Dunmurry offices, reducing heat loss and saving energy.

**Measures prioritised for implementation in 2023**

The Group will be implementing environmental metrics and set reduction targets for electrical usage over the next year. One way we plan to achieve these targets is by carrying out the LED lighting replacement programmes across our sites worldwide.

**Reporting Methodology**

Scope 1, 2 and 3 consumption and $CO_2e$ emissions data has been calculated in line with the 2019 UK Government environmental reporting guidance. Emissions Factor Database 2022 version 1 has been used, utilising the published kWh gross calorific value (CV) and $kgCO_2e$ emissions factors relevant for reporting period 01/01/2022 - 31/12/2022.

Estimations undertaken to cover missing billing periods for properties directly invoiced to Survitec Group Limited were calculated on a kWh/day pro-rata basis at meter level. These estimations equated to 5% (2021: 4%) of reported consumption. These full year estimations were applied to 12 electricity supplies, and one gas supply.

Intensity metrics have been calculated using total $tCO_2e$ figures and the selected performance indicator for the relevant report period.

**Going concern**
The Group and the Company have a net asset position as at 31 December 2022 (31 December 2021: net asset position). However, the net asset position has decreased from £63,152,000 (as restated) at 31 December 2021 to £13,688,000 at 31 December 2022, driven by the losses in the year.

These losses reflect the Group encountering a significant number of cost challenges over the course of 2022 as the industry continued to recover from the effect of the COVID-19 pandemic. This was exacerbated in the second half of the financial year with significant increases in inflation of the Group's cost base. The Group's ability to pass on cost increases in its pricing to customers was challenging, thus eroding margins across all divisions. Specialist advice has since been taken to enhance pricing and margins in subsequent periods. The Group has also experienced supply chain challenges over the past 20 months, which necessitated an increased investment in inventory, thus ensuring the ability to meet customer demands. However, this resulted in an increase in the net working capital position of the Group, adversely impacting the Group's cash generation and net debt. The Group is currently in the process of implementing operational and commercial initiatives to improve the profitability and cash generation of the business following a change in executive management in recent months. A targeted working capital programme is also underway to reduce inventory levels and improve the Group's net working capital position.

As a result of the above, the Group experienced significant liquidity and covenant challenges during the financial period. Total external loans and borrowings increased from £268,056,000 at 31 December 2021 to £344,313,000 at 31 December 2022 reflecting drawdowns of the Group's RCF facilities in the year and the drawdown of new shareholder convertible loan notes totalling £30,000,000. A further £20,000,000 of shareholder convertible loan notes have been drawn down in June 2023.

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

Additionally, the Group also negotiated a new interest Payment-in-Kind ("PIK") tranche under the Unitranche Facility totalling £50,000,000. The new tranche comprises i) £27m of the drawn Unitranche Facility Commitments to be swapped on a £-for-£ basis; ii) £10m outstanding accrued interest in respect of the Unitranche Facility to be capitalised; and iii) £13m cash pay interest due August 2023 in respect of the Unitranche Facility to be capitalised. The amounts under this new tranche are excluded from the revised leverage covenant calculation.

*Basis of going concern statement*

In reviewing the appropriateness of the Going Concern assumption, management have prepared forecasts covering the 15-month period to 30 September 2024 "the Going Concern period". The forecasts comprise base case forecasts on which the Group's financial performance is managed and a downside forecast to demonstrate the impact of a downside scenario which could arise over the Going Concern period.

**Going Concern (continued)**

The downside scenario includes sensitivities reflecting reduced profitability and cash generation arising from:
- Lower revenues due to a combination of a delay in achieving targeted price increases in FY23 and a reduced sales volume in FY24;
- A reduction in gross margin compared to the base case assumptions reflecting an unfavourable change in sales mix and further inflation in the Group's cost of sales;
- A failure to deliver and obtain the savings from certain of the Group's planned transformation and operational cost savings programmes; and
- An inability to achieve the forecast net working capital improvements, particularly the normalisation of the Group's inventory.

The assessment of Going Concern also encapsulates the Group's compliance with its financial covenants under its external banking facilities, as described above. Availability of the banking facilities assumed in the Group's forecasts is conditional on such covenant compliance. These covenants include leverage and minimum liquidity covenants, which are tested quarterly and monthly respectively. The leverage covenant requires the Group to maintain a specified ratio of last 12 months EBITDA to net debt at each test date, whilst the minimum liquidity covenant requires the group to maintain a minimum available liquidity of £10,000,000 at each test date and £5,000,000 at any time over a rolling 13-week forecast. The leverage covenant has been increased to 8.5x at 30 June 2023, reducing down incrementally each six months to 6.0x by September 2024.

Certain profitability and cash mitigating factors and actions have also been included in the downside scenario that the Directors would expect to take in the event that the Group's financial position and performance was in line with that assessed in that scenario. These include targeting of freight and procurement savings as supply chain pressures abate and reductions in discretionary capital expenditure. The Directors consider that with detailed monthly forecasting and a continuous focus on the Group's cash and profitability position, these mitigating actions are within the Group's control and would be achievable in the required timeframe.

Under the base case forecasts the Group is expected to generate profits and cash during the Going Concern period and beyond, and to have sufficient cash reserves to enable the Group to meet its obligations as they fall due over the Going Concern period, which includes a period of at least 12 months from the date of signing of these financial statements. This includes having sufficient headroom against the Group's financial covenants described above. On this basis, the Directors continue to adopt the going concern basis in preparing these financial statements.

Under the severe but plausible downside case, the sufficiency of the Group's liquidity and its ability to remain in compliance with its financial covenants is determined by assumptions that have been made regarding the pace at which the new management team i) can achieve the planned improvements in revenues and gross margins; ii) deliver the planned operational and commercial initiatives, which when taken together will drive improvements in profitability, and iii) can improve the Group's cash generation through improvements in working capital management, particularly through the normalisation of inventory levels. The Directors consider that a delay in the achievement or otherwise of these assumptions could impact on the Group's liquidity and its ability to remain in compliance with its financial covenants, and this therefore indicates the existence of a material uncertainty that may cast significant doubt on the ability of the Group to continue as a Going Concern. The financial statements therefore do not include adjustments that would result if the Group and Company were unable to continue as a Going Concern.

## 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 group and the company financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group 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 UK-adopted international accounting standards 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 group and company will continue in business.

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

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

**Directors' confirmations**
In the case of each director in office at the date the directors' report is approved:

• so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and

• they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

## Survitec Acquisition Company Limited

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

**Directors' liabilities**

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

**Reappointment of independent auditors**

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

Approved by the Board on 30 June 2023 and signed on its behalf by:

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R S Kledal
Director

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Jean-Francois Vingre
Director

# Independent auditors' report to the members of Survitec Acquisition Company Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Survitec Acquisition Company Limited's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2022 and of the Group's loss and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statement of Financial Position as at 31 December 2022; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

#### Independence

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

### Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's and the company's ability to continue as a going concern. The Group (which includes the Company) is expected to generate profits and cash during the Going Concern period and beyond, and to have sufficient cash reserves to enable the Group to meet its obligations as they fall due over the Going Concern period, which includes a period of at least 12 months from the date of signing of these financial statements. This includes having sufficient headroom against the Group's financial covenants. However under the severe but plausible downside scenario a delay in the achievement of the underlying assumptions regarding i) the planned improvements in revenues and gross margins; ii) the planned operational and commercial initiatives, which when taken together drive improvements in profitability, and iii) improvements in the Group's cash generation, particularly through the normalisation of inventory levels, could impact on the Group's liquidity and its ability to remain in compliance with its financial covenants upon which the ongoing availability of its banking facilities depends. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

## Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to data protection, employment and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase profit, inappropriate recognition of revenue and management bias in determining accounting estimates. Audit procedures performed by the engagement team included:

- Evaluation of the design of managements controls designed to prevent and detect irregularities;
- Discussions with the Group and Divisional management teams, internal audit, internal legal counsel and the Audit and Risk Committee, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Assessment of the Group's whistleblowing facility and matters reported through the facility;
- Evaluating and, where appropriate, challenging assumptions and judgements made by management in determining significant accounting estimates, in particular relating to the valuation of intangibles, property, plant and equipment, inventory and certain provisions;
- Identifying and testing unusual journal entries, in particular journal entries posted with an unusual account combination; and
- Performing unpredictable procedures.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

## Use of this report

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

# Other required reporting

## Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Andrew Paynter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 June 2023

## Survitec Acquisition Company Limited

## Consolidated Income Statement for the Year Ended 31 December 2022

| | Note | Year ended 31 December 2022 £ 000 | (As restated) Year ended 31 December 2021 £ 000 |
|---|---|---|---|
| Revenue | 5 | 404,415 | 372,509 |
| Changes in inventories of finished goods and work in progress | | (11,086) | (12,178) |
| Raw materials and consumables used | | (165,592) | (135,718) |
| Employee benefits expense | 6 | (122,411) | (116,544) |
| Depreciation and amortisation expense | 9 | (39,027) | (38,341) |
| Other operating expenses | | (87,937) | (61,084) |
| Other operating income | 10 | 1,824 | 4,751 |
| **Operating (loss)/profit** | | (19,814) | 13,395 |
| Finance income | 11 | 209 | 7,327 |
| Finance costs | 11 | (32,832) | (44,896) |
| Net finance cost | 11 | (32,623) | (37,569) |
| Other losses | 12 | (2,489) | (986) |
| **Loss before tax** | | (54,926) | (25,160) |
| Income tax credit | 13 | 147 | 9,016 |
| **Loss for the year after tax** | | (54,779) | (16,144) |
| **Loss attributable to:** | | | |
| Owners of the Company | | (54,756) | (16,179) |
| Non-controlling interests | | (23) | 35 |
| | | (54,779) | (16,144) |

All operations are continuing.

The Company has taken advantage of the exemptions under section 408 of the Companies Act 2006 from presenting its own Income Statement.

The notes on pages 46 to 157 form an integral part of these financial statements.

## Survitec Acquisition Company Limited

## Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2022

| | Note | Year ended 31 December 2022 £ 000 | (As restated) Year ended 31 December 2021 £ 000 |
|---|---|---|---|
| Loss for the year | | (54,779) | (16,144) |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Remeasurements of post employment benefit obligations (net) | | 1,126 | 423 |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Loss on cash flow hedges | | (163) | - |
| Currency translation differences | | 4,352 | (2,309) |
| | | 4,189 | (2,309) |
| Total Other Comprehensive income/ (expense) | | 5,315 | (1,886) |
| Total Comprehensive expense for the year | | (49,464) | (18,030) |
| **Total comprehensive expense attributable to:** | | | |
| Owners of the Company | | (49,441) | (18,065) |
| Non-controlling interests | | (23) | 35 |
| | | (49,464) | (18,030) |

The notes on pages 46 to 157 form an integral part of these financial statements.

## Survitec Acquisition Company Limited

## (Registration number: 09333067)
## Consolidated Statement of Financial Position as at 31 December 2022

| | Note | 31 December 2022 £ 000 | (As restated) 31 December 2021 £ 000 |
|---|---|---|---|
| ***Assets*** | | | |
| **Non-current assets** | | | |
| Goodwill | 15 | 45,262 | 45,262 |
| Intangible assets | 15 | 128,502 | 135,494 |
| Property, plant and equipment | 16 | 66,819 | 56,692 |
| Right of use assets | 17 | 32,055 | 35,241 |
| Deferred tax assets | 13 | 5,371 | 3,278 |
| Finance lease receivable | 24 | 55 | 76 |
| Other receivables | | 937 | 742 |
| ***Total non-current assets*** | | 279,001 | 276,785 |
| **Current assets** | | | |
| Inventories | 18 | 93,755 | 77,414 |
| Trade and other receivables | 19 | 93,173 | 83,302 |
| Contract assets | 19 | 12,994 | 6,989 |
| Income tax asset | | 417 | 415 |
| Cash and cash equivalents | 20 | 69,405 | 56,795 |
| ***Total current assets*** | | 269,744 | 224,915 |
| Assets classified as held for sale | | 340 | 340 |
| **Total assets** | | 549,085 | 502,040 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 22 | (928) | (928) |
| Share premium | | (405,298) | (405,298) |
| Capital contribution reserve | | (533,333) | (533,333) |
| Foreign currency translation reserve | | 11,270 | 15,622 |
| Accumulated losses | | 914,862 | 861,069 |
| **Equity attributable to owners of the Company** | | (13,427) | (62,868) |
| Non-controlling interests | | (261) | (284) |
| **Total equity** | | (13,688) | (63,152) |

The notes on pages 46 to 157 form an integral part of these financial statements.

## Survitec Acquisition Company Limited

### (Registration number: 09333067)
### Consolidated Statement of Financial Position as at 31 December 2022 (continued)

| | Note | 31 December 2022 £ 000 | (As restated) 31 December 2021 £ 000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Long term lease liabilities | 23 | (27,218) | (28,768) |
| Loans and borrowings | 25 | | (260,796) |
| Retirement benefit obligations | 26 | (5,100) | (6,990) |
| Provisions | 27 | (3,349) | (4,938) |
| Deferred income | | (2,041) | - |
| Deferred tax liabilities | 13 | (3,119) | (5,402) |
| Other non-current liabilities | | - | (4) |
| **Total non-current liabilities** | | (40,827) | (306,898) |
| **Current liabilities** | | | |
| Current portion of lease liabilities | 23 | (7,996) | (7,860) |
| Trade and other payables | 29 | (110,761) | (79,721) |
| Contract liabilities | 29 | (17,606) | (17,117) |
| Income tax liability | | (4,171) | (2,107) |
| Loans and borrowings | 25 | (344,313) | (7,260) |
| Provisions | 27 | (9,723) | (17,925) |
| **Total current liabilities** | | (494,570) | (131,990) |
| **Total liabilities** | | (535,397) | (438,888) |
| **Total equity and liabilities** | | (549,085) | (502,040) |

The financial statements on pages 34 to 157 are approved by the Board on 30 June 2023 and signed on its behalf by:

.........................................
R S Kledal
Director

.........................................
Jean-Francois Vingre
Director

The notes on pages 46 to 157 form an integral part of these financial statements.

## Survitec Acquisition Company Limited

### (Registration number: 09333067)
### Company Statement of Financial Position as at 31 December 2022

| | Note | 31 December 2022 £ 000 | 31 December 2021 £ 000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investments | 14 | 134,939 | 134,939 |
| **Current assets** | | | |
| Cash and cash equivalents | 20 | 21 | 21 |
| **Total assets** | | 134,960 | 134,960 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 22 | (928) | (928) |
| Share premium | | (405,297) | (405,297) |
| Capital contribution reserve | | (533,333) | (533,333) |
| Accumulated losses | | 804,677 | 804,677 |
| **Total equity** | | (134,881) | (134,881) |
| **Current liabilities** | | | |
| Trade and other payables | 29 | (79) | (79) |
| **Total current liabilities** | | (79) | (79) |
| **Total equity and liabilities** | | (134,960) | (134,960) |

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Statement of Comprehensive Income in these financial statements. The Company's result for the year of £Nil (31 December 2021: £48,910,000).

The financial statements on pages 34 to 157 were approved by the Board on 30 June 2023 and signed on its behalf by:

.........................................
R S Kledal
Director

.........................................
Jean-Francois Vingre
Director

The notes on pages 46 to 157 form an integral part of these financial statements.

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

| | Share capital £ 000 | Share premium £ 000 | Capital contribution reserve £ 000 | Foreign currency translation £ 000 | Accumulated losses £ 000 | Total £ 000 | Non-controlling interests £ 000 | Total equity £ 000 |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2022 As previously presented | 928 | 405,298 | 533,333 | (15,622) | (870,032) | 53,905 | 284 | 54,189 |
| Prior period adjustment (note 34) | - | - | - | - | 8,963 | 8,963 | - | 8,963 |
| At 1 January 2022 (As restated) | 928 | 405,298 | 533,333 | (15,622) | (861,069) | 62,868 | 284 | 63,152 |
| Loss for the year | - | - | - | - | (54,779) | (54,779) | (23) | (54,802) |
| Other comprehensive income | - | - | - | 4,352 | 1,126 | 5,478 | - | 5,478 |
| Loss on cash flow hedges | - | - | - | - | (163) | (163) | - | (163) |
| Total comprehensive expense | - | - | - | 4,352 | (53,816) | (49,464) | (23) | (49,487) |
| Dividends to non-controlling interest | - | - | - | - | 23 | 23 | - | 23 |
| At 31 December 2022 | 928 | 405,298 | 533,333 | (11,270) | (914,862) | 13,427 | 261 | 13,688 |

The notes on pages 46 to 157 form an integral part of these financial statements.

## Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022 (continued)

| | Share capital £ 000 | Share premium £ 000 | Capital contribution reserve £ 000 | Foreign currency translation £ 000 | (As restated) Accumulated losses £ 000 | Total £ 000 | Non-controlling interests £ 000 | Total equity £ 000 |
|---|---|---|---|---|---|---|---|---|
| At 31 December 2020 As previously presented | 928 | - | 533,333 | (13,313) | (683,112) | (162,164) | 249 | (161,915) |
| Prior period adjustment | - | - | - | - | (162,201) | (162,201) | - | (162,201) |
| At 31 December 2020 (as restated) | 928 | - | 533,333 | (13,313) | (845,313) | (324,365) | 249 | (324,116) |
| (Loss)/ profit for the year | - | - | - | - | (16,144) | (16,144) | 35 | (16,109) |
| Total Other comprehensive expense | - | - | - | (2,309) | 423 | (1,886) | - | (1,886) |
| Total comprehensive (expense)/ income | - | - | - | (2,309) | (15,721) | (18,030) | 35 | (17,995) |
| Dividends to non-controlling interest | - | - | - | - | (35) | (35) | - | (35) |
| New share capital subscribed | - | 405,298 | - | - | - | 405,298 | - | 405,298 |
| At 31 December 2021 (As restated) | 928 | 405,298 | 533,333 | (15,622) | (861,069) | 62,868 | 284 | 63,152 |

The notes on pages 46 to 157 form an integral part of these financial statements.

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

| | Share capital £ 000 | Share premium £ 000 | Capital contribution reserve £ 000 | Accumulated losses £ 000 | Total equity £ 000 |
|---|---|---|---|---|---|
| At 1 January 2022 | 928 | 405,297 | 533,333 | (804,677) | 134,881 |
| Result for the year | - | - | - | - | - |
| Total comprehensive income | - | - | - | - | - |
| At 31 December 2022 | 928 | 405,297 | 533,333 | (804,677) | 134,881 |

The notes on pages 46 to 157 form an integral part of these financial statements.

## Company Statement of Changes in Equity for the Year Ended 31 December 2022 (continued)

| | Share capital £ 000 | Share premium £ 000 | Capital contribution reserve £ 000 | Accumulated losses £ 000 | Total equity £ 000 |
|---|---|---|---|---|---|
| At 31 December 2020 (As previously presented) | 928 | - | 533,333 | (596,482) | (62,221) |
| *Prior period adjustment* | - | - | - | (159,285) | (159,285) |
| At 31 December 2020 (As restated) | 928 | - | 533,333 | (755,767) | (221,506) |
| Loss for the year | - | - | - | (48,910) | (48,910) |
| Total comprehensive income | - | - | - | (48,910) | (48,910) |
| New share capital subscribed | - | 405,297 | - | - | 405,297 |
| At 31 December 2021 | 928 | 405,297 | 533,333 | (804,677) | 134,881 |

The notes on pages 46 to 157 form an integral part of these financial statements.

# Survitec Acquisition Company Limited

## Consolidated Statement of Cash Flows for the Year Ended 31 December 2022

| | Year ended 31 December 2022 £ 000 | (As restated) Year ended 31 December 2021 £ 000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the year | (54,779) | (16,144) |
| Income tax credit | (147) | (9,016) |
| Depreciation and amortisation | 30,135 | 28,656 |
| Depreciation on right of use assets | 8,892 | 9,685 |
| Cash interest received | 163 | 11 |
| Impairment of intangible assets | 2,435 | - |
| Profit on disposal of property, plant and equipment | (273) | (2,229) |
| Loans waived | - | (2,165) |
| Interest expense | 32,832 | 44,896 |
| Foreign exchange movement on foreign currency loans | (46) | (7,316) |
| Difference between pension charge and cash contributions | (1,469) | (716) |
| Decrease in provisions | (3,105) | (78) |
| | 14,638 | 45,584 |
| **Working capital adjustments** | | |
| Increase in inventories | (12,258) | (11,556) |
| Increase in trade and other receivables | (16,060) | (5,536) |
| Increase/ (decrease) in trade and other payables | 19,050 | (6,415) |
| Cash generated from operations | 5,370 | 22,077 |
| Income taxes paid | (2,221) | (3,596) |
| Net cash flow generated from operating activities | 3,149 | 18,481 |
| **Cash flows from investing activities** | | |
| Interest income | (163) | (11) |
| Acquisition of subsidiaries, net of cash acquired | (3,456) | (98,759) |
| Acquisitions of property, plant and equipment | (24,070) | (25,486) |
| Proceeds from sale of property, plant and equipment | 1,933 | 6,607 |
| Government grants received in respect of purchase of intangible assets | - | 1,011 |
| Acquisition of intangible assets | (12,126) | (8,369) |
| Net cash flows used in investing activities | (37,882) | (125,007) |

The notes on pages 46 to 157 form an integral part of these financial statements.

# Survitec Acquisition Company Limited

## Consolidated Statement of Cash Flows for the Year Ended 31 December 2022 (continued)

| | Year ended 31 December 2022 £ 000 | (As restated) Year ended 31 December 2021 £ 000 |
|---|---|---|
| **Cash flows from financing activities** | | |
| Cash interest paid | (14,810) | (15,615) |
| Proceeds from bank borrowing drawdowns | 67,000 | 270,000 |
| Repayment of banks borrowings | (327) | (146,655) |
| Payments to lease creditors | (10,120) | (11,064) |
| Payment of capitalised finance costs | (1,769) | (11,359) |
| Loans from parent undertakings | - | 934 |
| Net cash flows generated from financing activities | 39,974 | 86,241 |
| Net increase/ (decrease) in cash and cash equivalents | 5,241 | (20,285) |
| Cash, cash equivalents and overdrafts at beginning of the period | 49,535 | 70,973 |
| Increase/ (decrease) from exchange rate fluctuations on cash held | 1,096 | (1,153) |
| Cash, cash equivalents and overdrafts at 31 December | 55,872 | 49,535 |

The notes on pages 46 to 157 form an integral part of these financial statements.

# Survitec Acquisition Company Limited

## Company Statement of Cash Flows for the Year Ended 31 December 2022

| | Year ended 31 December 2022 £ 000 | Year ended 31 December 2021 £ 000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the year | - | (48,910) |
| Reversal of Impairment in investments and intercompany receivables | - | (292,555) |
| Impairment of investments | - | 275,445 |
| Preference shares waived | - | 67,414 |
| Foreign exchange loss | - | 325 |
| Interest received | - | (24,633) |
| Interest paid | - | 22,918 |
| Income tax expense | - | 27 |
| | - | 31 |
| **Working capital adjustments** | | |
| Decrease in trade and other payables | - | (30) |
| Net cash flows generated from operating activities | - | 1 |
| **Cash flows from financing activities** | | |
| Net cash flows from financing activities | - | - |
| Net increase in cash and cash equivalents | - | 1 |
| Cash and cash equivalents at beginning of the period | 21 | 20 |
| Cash and cash equivalents at 31 December | 21 | 21 |

The notes on pages 46 to 157 form an integral part of these financial statements.

# Notes to the Financial Statements for the Year Ended 31 December 2022

## 1 General information

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

The address of its registered office is:
The Aspect, Fourth Floor
12 Finsbury Square
London
England
EC2A 1AS

These financial statements were authorised for issue by the Board on 30 June 2023.

## 2 Accounting policies

### Basis of preparation

The Group and Company financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and other receivables which are measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. Please see note 3 for further details.

The Group has taken the exemption from IFRS 8 Operating Segments as it does not have any debt, equity instruments or any class of instruments traded in a public market.

The consolidated financial statements are presented in sterling (£) and all values are rounded to the nearest thousand, except when otherwise indicated.

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.

### 2 Accounting policies (continued)

**Going concern**

The Group and the Company have a net asset position as at 31 December 2022 (31 December 2021: net asset position). However, the net asset position has decreased from £63,152,000 (as restated) at 31 December 2021 to £13,688,000 at 31 December 2022, driven by the losses in the year.

These losses reflect the Group encountering a significant number of cost challenges over the course of 2022 as the industry continued to recover from the effect of the COVID-19 pandemic. This was exacerbated in the second half of the financial year with significant increases in inflation of the Group's cost base. The Group's ability to pass on cost increases in its pricing to customers was challenging, thus eroding margins across all divisions. Specialist advice has since been taken to enhance pricing and margins in subsequent periods. The Group has also experienced supply chain challenges over the past 20 months, which necessitated an increased investment in inventory, thus ensuring the ability to meet customer demands. However, this resulted in an increase in the net working capital position of the Group, adversely impacting the Group's cash generation and net debt. The Group is currently in the process of implementing operational and commercial initiatives to improve the profitability and cash generation of the business following a change in executive management in recent months. A targeted working capital programme is also underway to reduce inventory levels and improve the Group's net working capital position.

As a result of the above, the Group experienced significant liquidity and covenant challenges during the financial period. Total external loans and borrowings increased from £268,056,000 at 31 December 2021 to £344,313,000 at 31 December 2022 reflecting drawdowns of the Group's RCF facilities in the year and the drawdown of new shareholder convertible loan notes totalling £30,000,000. A further £20,000,000 of shareholder convertible loan notes have been drawn down in June 2023.

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

Additionally, the Group also negotiated a new interest Payment-in-Kind ("PIK") tranche under the Unitranche Facility totalling £50,000,000. The new tranche comprises i) £27m of the drawn Unitranche Facility Commitments to be swapped on a £-for-£ basis; ii) £10m outstanding accrued interest in respect of the Unitranche Facility to be capitalised; and iii) £13m cash pay interest due August 2023 in respect of the Unitranche Facility to be capitalised. The amounts under this new tranche are excluded from the revised leverage covenant calculation.

**2 Accounting policies (continued)**

*Basis of going concern statement*

In reviewing the appropriateness of the Going Concern assumption, management have prepared forecasts covering the 15-month period to 30 September 2024 "the Going Concern period". The forecasts comprise base case forecasts on which the Group's financial performance is managed and a downside forecast to demonstrate the impact of a downside scenario which could arise over the Going Concern period.

The downside scenario includes sensitivities reflecting reduced profitability and cash generation arising from:
- Lower revenues due to a combination of a delay in achieving targeted price increases in FY23 and a reduced sales volume in FY24;
- A reduction in gross margin compared to the base case assumptions reflecting an unfavourable change in sales mix and further inflation in the Group's cost of sales;
- A failure to deliver and obtain the savings from certain of the Group's planned transformation and operational cost savings programmes; and
- An inability to achieve the forecast net working capital improvements, particularly the normalisation of the Group's inventory.

The assessment of Going Concern also encapsulates the Group's compliance with its financial covenants under its external banking facilities, as described above. Availability of the banking facilities assumed in the Group's forecasts is conditional on such covenant compliance. These covenants include leverage and minimum liquidity covenants, which are tested quarterly and monthly respectively. The leverage covenant requires the Group to maintain a specified ratio of last 12 months EBITDA to net debt at each test date, whilst the minimum liquidity covenant requires the group to maintain a minimum available liquidity of £10,000,000 at each test date and £5,000,000 at any time over a rolling 13-week forecast. The leverage covenant has been increased to 8.5x at 30 June 2023, reducing down incrementally each six months to 6.0x by September 2024.

Certain profitability and cash mitigating factors and actions have also been included in the downside scenario that the Directors would expect to take in the event that the Group's financial position and performance was in line with that assessed in that scenario. These include targeting of freight and procurement savings as supply chain pressures abate and reductions in discretionary capital expenditure. The Directors consider that with detailed monthly forecasting and a continuous focus on the Group's cash and profitability position, these mitigating actions are within the Group's control and would be achievable in the required timeframe.

Under the base case forecasts the Group is expected to generate profits and cash during the Going Concern period and beyond, and to have sufficient cash reserves to enable the Group to meet its obligations as they fall due over the Going Concern period, which includes a period of at least 12 months from the date of signing of these financial statements. This includes having sufficient headroom against the Group's financial covenants described above. On this basis, the Directors continue to adopt the going concern basis in preparing these financial statements.

## 2 Accounting policies (continued)

**Going concern (continued)**

Under the severe but plausible downside case, the sufficiency of the Group's liquidity and its ability to remain in compliance with its financial covenants is determined by assumptions that have been made regarding the pace at which the new management team i) can achieve the planned improvements in revenues and gross margins; ii) deliver the planned operational and commercial initiatives, which when taken together will drive improvements in profitability, and iii) can improve the Group's cash generation through improvements in working capital management, particularly through the normalisation of inventory levels. The Directors consider that a delay in the achievement or otherwise of these assumptions could impact on the Group's liquidity and its ability to remain in compliance with its financial covenants, and this therefore indicates the existence of a material uncertainty that may cast significant doubt on the ability of the Group to continue as a Going Concern. The financial statements therefore do not include adjustments that would result if the Group and Company were unable to continue as a Going Concern.

**2 Accounting policies (continued)**

**Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2022.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

Intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

**Changes in accounting policy**

No amendments to IFRS that became effective during the year resulted in new accounting policies, or changes to existing accounting policies that had a significant impact on the Group's financial position or performance.

During the year, The Group aligned its inventory provision estimate for slow moving or obsolete inventory from consumption to receipt date. This is a change in accounting estimate, hence treated prospectively.

## 2 Accounting policies (continued)

**Standards and interpretations issued but not yet effective**

Minor amendments to IFRSs: The IASB has published a number of minor amendments to IFRSs that were effective from 1 January 2023. The Group does not anticipate any of these amendments will have a significant impact on the Group.

Major new IFRSs: The IASB has published a new standard, IFRS 17 (Insurance Contracts). The new standard will require insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. The standard will become effective for reporting periods beginning on or after 1 January 2023, following endorsement by the UK Endorsement Board. The Group is unaffected by the new standard as it does not issue insurance contracts.

**Business combinations**

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is measured at cost as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

**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 Group's activities. Revenue is shown net of value-added tax and after eliminating sales within the Group.

The Group has the following key revenue streams, sales of goods, sale of goods with installation and/or training, sale of fire safety systems, servicing, design revenue and lease income. The Group's performance obligations and revenue recognition policy for each revenue stream is noted below.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(a) Sale of goods

For contracts for the sale of an individual item, the performance obligation is the acceptance or delivery of the item. For contract with more than one item, the performance obligation is either:
• The acceptance or delivery of each individual item where each item is considered distinct; or
• The acceptance or delivery of the final item where the goods are not distinct.

Revenue is recognised at the point in time when the customer obtains control of the goods which is based on the delivery terms of the contract. Revenue is recognised point over time in case of longer term contracts or where the performance obligation is satisfied over time.

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

Delivery of goods, installation services and training services are treated as separate performance obligations as the customer can benefit from each separately and they are separate promises within the contracts.

Revenue in respect of goods is in line with 'a) Sales of goods'. Revenue in respect of installation is recognised over the period of the installation service and revenue in respect of training is recognised over the period of the training.

**2 Accounting policies (continued)**

**Revenue recognition (continued)**

(c) Sales of Fire Safety Systems

The performance obligation is the overall contracted requirement to design, deliver and commission a bespoke fire safety system. Revenue on these contracts is recognised over the period of the contract. Stage of completion is determined using the input method based on costs incurred to date relative to the total expected cost to deliver the contract.

(d) Rendering of services

The performance obligation is the provision of servicing work as specified in the customer contract. Revenue is recognised as follows:
• Where a contractual right to receive payment exists, revenue is recognised over the period services are provided using the percentage of completion method, based on the input method using time spent; and
• Where no contractual right to receive payment exists, revenue is recognised upon completion of each separate performance obligation, which is typically when implementation services are complete or training materials have been provided to the customer.

The Group moreover receives revenue from sales-based royalty agreements, where the Group grants exclusive licence to use its technical information and copyright in the agreed territory. The revenue is recognised later of the subsequent sale and the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied (or partially satisfied).

(e) Lease income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Incremental costs for servicing the leased assets are also added to the carrying value and recognised over the residual lease term.

(f) Design Revenue

The Company provides product design services which includes drawing, configuration, verification, certification, and testing reports. Revenue relating to the design services is recognised over time when the performance obligation is satisfied.

**2 Accounting policies (continued)**

**Government grants**

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

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

**Foreign currency transactions and balances**

(a) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Sterling (£) which is the Group's presentation currency.

(b) Transactions and balances
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 re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-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 and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'Other operating expenses'.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## 2 Accounting policies (continued)

**Foreign currency transactions and balances (continued)**

(c) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated as follows:

i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the reporting date;
ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
iii) All resulting exchange differences on translation of long-term intercompany receivables and payables, which are deemed to be part of the net investment in foreign operations, are recognised in Other Comprehensive Income; and
iv) All resulting exchange differences are recognised in Other Comprehensive Income.

**Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except when an item of income or expense is recognised as Other Comprehensive Income, then the attributable tax 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 balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## 2 Accounting policies (continued)

**Tax (continued)**

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transactions affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax is measured on a non-discounted basis.

Deferred income tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

**Property, plant and equipment**

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

## 2 Accounting policies (continued)

### Depreciation

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

| Asset class | Depreciation method and rate |
|---|---|
| Freehold buildings | 2 - 4% Straight-line |
| Leasehold property improvements | Life of lease Straight-line |
| Plant and machinery | 5 - 25% Straight-line |
| Computer equipment | 20 - 33% Straight-line |
| Motor vehicles | 20 - 33% Straight-line |
| Survival suits | 8 - 10% Straight-line |
| Liferafts | 10% Straight-line |

The depreciation methods and rates applied to asset class includes assets where the Group has right of use.

The assets' residual values and estimated useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

### 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 Group will exercise an option to purchase the asset, the depreciation period is through to the end of the asset's useful economic life.

**2 Accounting policies (continued)**

**Intangible assets**

(a) Goodwill is measured as described in note 15. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for management reporting purposes.

(b) Contractual customer relationships
Separately acquired customer relationships are shown at historical cost. Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives of 8 to 20 years.

(c) Developed technology
Separately acquired developed technology is shown at historical cost. Developed technology acquired in a business combination is recognised at fair value at the acquisition date. Developed technology has a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of developed technology over the estimated useful lives of 10 to 20 years.

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 based on the following criteria:

• It is technically feasible to complete the intangible asset so that it will be available for use;
• Management intends to complete the intangible asset and use or sell it;
• There is an ability to use or sell the intangible asset;
• It can be demonstrated how the intangible asset will generate probable future economic benefits;
• Adequate technical, financial and other resources to complete the development and to use or sell the intangible are available; and
• The expenditure attributable to the intangible asset during its development can be reliably measured.

**2 Accounting policies (continued)**

**Intangible assets (continued)**

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

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

(d) Patents, trademarks, brands and other intangibles
Separately acquired patents, trademarks, brands and other intangibles are shown at historical cost. Those acquired in a business combination are recognised at fair value at the acquisition date, have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 5 to 15 years.

Included within other intangibles is computer software. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the criteria as per (b) 'Developed technology' are met.
Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed 5 years.

Capitalised costs are also reviewed for potential impairment where there are indicators of impairment.

Internally developed intangible assets not yet brought into use are tested for impairment annually.

**Investments**

Investments in subsidiaries are shown at cost less accumulated impairment losses. Investments are reviewed annually for impairment by comparing the carrying value of the investment to the higher of the subsidiary Group's value in use and fair value less costs to sell.

**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.

**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, 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 provisions for impairment. The Group assesses impairments based on the lifetime expected credit loss.

**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. Costs are assigned to individual items of inventory on a standard cost basis. 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 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.

## 2 Accounting policies (continued)

### Borrowings

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

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

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

### Provisions

a) Warranty
Due to the nature of products manufactured by the Group, warranty provisions are recognised when there is an expectation of a constructive or legal obligation on Survitec Group to rectify any issues identified on the part of their customers. The provision is best estimated based on known claims and on estimates based upon past experience, of possible future claims which could arise over the life of the products sold.

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

c) Employee Benefits
Long-term employee benefits may include paid long-service leave, other long service benefits, and profit sharing and bonus schemes (other than share based payments). These should include situations in which an employee could require settlement after 12 months of the end of the period in which the services have been rendered, and should be considered at the end of the reporting period. A liability is recognised for the present value of the obligation.

d) Other
Provisions for legal disputes and other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. The timing of the outflow may still be uncertain.

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.

## 2 Accounting policies (continued)

### Leases

*Definition*

The Survitec Group predominantly engages in leases for land and buildings, or commercial and motor vehicles. The majority of leases for the Group are located in North America or Europe as a result of the manufacturing and office locations.

*Initial recognition and measurement*

The group 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 group'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 group 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.

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 at least annually.

## 2 Accounting policies (continued)

**Leases (continued)**

*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 group 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

*Group as lessor*

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as income. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The Group will continue to recognise the leased asset in its statement of financial position.

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

In determining whether contracts for which the group is a lessor (such as Extended Service Revenue (ESR) liferaft contracts) are classified as operating or finance leases, management assesses whether or not the risk and rewards incidental to ownership of the asset in question have been transferred to the lessee, taking into account factors such as the lease term in comparison to the life of the asset, and any option to purchase exercisable by the lessee.

**2 Accounting policies (continued)**

**Impairment of non-financial assets**

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which 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).

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.

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**

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 Group include cash and cash equivalents, trade and other receivables, contract assets and lease receivables, and favourable derivative financial instruments. Financial liabilities of the Group include trade and other payables, borrowings, and unfavourable derivative financial instruments.

## 2 Accounting policies (continued)

### Financial instruments (continued)

***Initial recognition and measurement***

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

The Group 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).

At initial recognition, the Group 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.

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

## 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.

(a) Financial assets
The Group 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.

(b) Financial liabilities at fair value through profit and loss
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss.

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

## 2 Accounting policies (continued)

**Financial instruments (continued)**

***Derivative financial instruments and hedge accounting***

The Group uses derivative financial instruments to hedge its exposure to foreign currency risks and interest rate risk exposures. Such derivative financial instruments are subsequently measured at fair value with changes in fair value generally being recognised in profit or loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when fair value is negative. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

i) Cash flow hedges
Where derivatives are designated as hedges of the exposure to variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the portion of the fair value gain or loss on the derivative that is determined to be an effective hedge is recognised directly in equity. The ineffective part of any gain or loss is recognised in the income statement immediately.

The accumulated gains and losses recognised in equity are reclassified to the income statement in the periods in which the hedged item will affect profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised at that time remains in equity until the forecast transaction is eventually recognised in the income statement.
When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately reclassified to the income statement.

ii) Fair value hedges
Where a derivative is designated as the hedging instrument to hedge the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the value of the derivative are recognised immediately in the income statement together with changes in the fair value of the hedged item that are attributable to the hedged risk. Fair values are based on quoted market prices in active markets or, where these are not available, using valuation techniques such as discounted cash flow models. If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for fair value hedge accounting, or the designation is revoked, then hedge accounting is prospectively discontinued. Any adjustment up to that point, to a hedged item for which the EIR method is used, is amortised to profit or loss.

## 2 Accounting policies (continued)

**Financial instruments (continued)**

***Derecognition***

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.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. The Group de-recognises the financial assets under the new factoring arrangement it entered in the year.

***Impairment of a financial asset***

The Group 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 Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables.

***Fair value of financial instruments***

Fair value amounts disclosed in these financial statements represent the Group's estimate of the price at which a financial instrument could be exchanged in an arm's length market transaction between knowledgeable, willing parties who are under no compulsion to act. They are point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Fair value is determined by reference to quoted prices in the most advantageous active market for that instrument to which the Group has immediate access. However, where there is no active market for the Group's financial instruments, the Group determines fair value based on internal or external valuation models, such as stochastic models, option-pricing models and discounted cash flow models. These calculations represent management's best estimates based on a range of methods and assumptions. Since they are based on estimates the fair values may not be realised in an actual sale or immediate settlement of the instruments.

## 2 Accounting policies (continued)

**Financial instruments (continued)**

***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.

**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.

**Defined contribution pension obligation**

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and 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.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

**2 Accounting policies (continued)**

**Defined benefit pension obligation**

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, periods of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The UK and Dutch defined benefit schemes are funded, with the assets of the UK scheme held separately from those of the Group in separate trustee administered funds. In Germany, the Group operates an unfunded defined benefit scheme.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current period, benefit changes curtailments and settlements.

Past-service costs are recognised immediately in income. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Any asset resulting from the calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan. Where the Group is considered to have a contractual obligation to fund the pension scheme above the accounting value of the liabilities, an onerous obligation is recognised.

The Group's balance sheet includes the net scheme surplus or deficit, being the difference between the fair value of the schemes' assets and the present value of scheme liabilities at the balance sheet date. Surpluses are recognised as an asset to the extent the Group has an unconditional right under the scheme rules to reduced contributions in future or obtain refunds from the schemes in accordance with IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

## 2 Accounting policies (continued)

**Share based payments**

The Group operates a share-based compensation plan, under which the Company receives services from employees as consideration for equity instruments. The awards are issued by Ark Topco Limited and the Group has no obligation to settle the awards. The fair value of the employee services received in exchange for the issue of the shares is recognised as an expense. A credit is recognised directly in equity. The total amount to be expensed is determined by reference to the fair value of the shares issued.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances, employees might provide services in advance of the grant date, and so the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

## 3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group'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.

**Critical accounting judgements:**

**Cash generating units**

The Group has assessed its global operations and concluded that the Group is made up of three Cash Generating Units (CGU's) at 31 December 2022 (31 December 2021: three) based on its operating divisions Marine, Hansen Protection and Aerospace and Defence.

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

**Key sources of estimation uncertainty:**

**Impairment of intangibles and property, plant and equipment**
The Group tests at least annually whether non-current assets have suffered any impairment, in accordance with its accounting policies. The carrying amount of a CGU 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 exists. In assessing fair value, the Group gives consideration to the likely enterprise value using a discounted cashflow. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any impairment. Long term growth, discount rates and trading performance are sensitised when evaluating the value of any impairment. The sensitivity analysis for these key estimates is included in note 15.

In accordance with IAS 36, intangibles not yet brought into use are required to be tested for impairment annually. See note 15 for the results of this impairment assessment. Given the headroom of £1,323,000 in respect of the Hansen Protection CGU, reasonably possible changes in assumption could give rise to an impairment of goodwill. See note 15.

***Defined benefit pension scheme***
The Group has an obligation to pay pension benefits to certain employees. The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Any change to these assumptions will impact the carrying amount of the pension obligations. All assumptions are reviewed at each reporting date. The sensitivity analysis for these key estimates is included in note 26.

**Warranty provisions**
The determination of provisions requires a significant amount of estimation, particularly in the area of specific product liability issues. Given the technical nature of the Group's survival products, there is a significant estimation uncertainty of product liability matters. Management prepare a model on an annual basis, based on a number of key inputs and assumptions in order to determine an estimate for the provision value. This provision is kept under regular review and re-assessed as discussions and events develop. The details of the critical estimate and the sensitivity analysis for these key estimations are included in note 27.

**Lease liabilities**
The key estimate made in calculating the lease liability is selecting an appropriate discount rate.

The weighted average discount rate used in the calculation of lease liabilities is 5.8% (31 December 2021: 5.6%). If the individual discount rates underlying this average rate each increased by 0.5% the Group's lease liability would decrease by £2,007,000 (31 December 2021: decrease by £1,800,000). If the individual discount rates underlying this average rate each decreased by 0.5% the Group's lease liability would increase by £2,133,000 (31 December 2021: increase by £2,000,000).

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

**Recoverability of investments**

Management have performed an impairment assessment of the investments held by the Company, comparing the carrying value to the higher of the Group's value in use and fair value less costs to sell. In assessing fair value, management use the analysis undertaken at a CGU level, as outlined above, and apply relevant allocations. The discounting to determine the fair value of the investments represents a key source of estimation uncertainty. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any impairment. This has resulted in an impairment being recognised in the income statement amounting to £Nil (31 December 2021: £275,445,000).

### 4 Financial risk management

***Financial risk factors***

The Group's Head Office function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to minimise these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the directors, which provide principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

***a) Market risk***

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below). The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign currency risk, specifically forward foreign exchange contracts, to mitigate the exchange rate risk arising on the sale of goods or purchase of materials in non-functional currencies.

**4 Financial risk management (continued)**

*i) Foreign currency risk*

The Group's operations undertake transactions denominated in currencies other than their functional currency; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts. The Group may also enter into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions out to 12 months. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place.

The carrying amounts of the Group's non-functional currency denominated monetary assets and monetary liabilities at the reporting date that are not covered by some form of natural hedge or derivative financial instrument are estimated to be less than 1% (31 December 2021: < 1%) of total assets. A quantitative sensitivity analysis for 5% movement in key exchange rates is as shown below:

**4 Financial risk management (continued)**

**Impact of 5% movement in currency v GBP**

**31 December 2022**

| | +5% | -5% |
|---|---|---|
| Loss before tax (£000) | 386 | (426) |

***31 December 2021***

| | +5% | -5% |
|---|---|---|
| Loss before tax (£000) | (863) | 954 |

*ii) Interest rate risk*

The Group's external debt interest is based on ratchet margin plus variable rate. In December 2022, the Group hedged its variable rate exposure from floating to fixed at 5%. The interest rate cap covers £202,500,000 (75%) of the Unitranche loan. The hedging ratio is 0.75:1, the instrument has a termination date of August 2025.

**2022**

| Derivative financial instrument | Notional amount of hedging instrument | Asset | Liability | Gain/(loss) recognised in OCI | Hedge ineffectiveness recognised in the IS |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Interest rate swap – cashflow hedge | 202,500 | 2,467 | - | (163) | - |

The sensitivity analysis below has been calculated for unhedged portion as of 31 December 2022 and has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 1% increase or decrease is used when considering interest rate risk internally to key management personnel. If interest rates had been 1 per cent higher and all other variables were held constant the Group's profit for the year ended 31 December 2022, based on the closing level of such debt for the year, would decrease by approximately £675,000 (31 December 2021: £2,700,000).

## 4 Financial risk management (continued)

***b) Credit risk***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available, and if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually. Please refer to note 19 for default rates and ageing profiles.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any counterparty did not exceed ten per cent of gross monetary assets at any time during the period.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

***c) Liquidity risk***

Ultimate responsibility for liquidity risk management rests with the directors, who have established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group or the Company can be required to pay. The table includes both interest and principal cash flows. The table below excludes lease liabilities that are financial liabilities under IFRS 9 and the remaining contractual maturity is disclosed in note 23.

**4 Financial risk management (continued)**

**Group**

| | Up to 1 year £ 000 | 2-3 years £ 000 | 4-5 years £ 000 | Total £ 000 |
|---|---|---|---|---|
| **31 December 2022** | | | | |
| Borrowings | 69,850 | 58,873 | 343,435 | 472,158 |
| Trade and other payables | 103,643 | - | - | 103,643 |
| Contract liabilities | 17,606 | - | - | 17,606 |
| | 191,099 | 58,873 | 343,435 | 593,407 |

| | Up to 1 year £ 000 | 2-3 years £ 000 | 4-5 years £ 000 | Total £ 000 |
|---|---|---|---|---|
| **31 December 2021** | | | | |
| Borrowings | 19,294 | 35,100 | 312,257 | 366,651 |
| Trade and other payables | 71,979 | - | - | 71,979 |
| Contract liabilities | 17,117 | - | - | 17,117 |
| | 108,390 | 35,100 | 312,257 | 455,747 |

The tables above reflects the timing of repayments based on the contractual terms and conditions of the Unitranche loan agreement.

**4 Financial risk management (continued)**

**Company**

| | Up to 1 year £ 000 | 2-3 years £ 000 | 4-5 years £ 000 | Total £ 000 |
|---|---|---|---|---|
| **31 December 2022** | | | | |
| Trade and other payables | 79 | - | - | 79 |
| | 79 | - | - | 79 |

| | Up to 1 year £ 000 | 2-3 years £ 000 | 4-5 years £ 000 | Total £ 000 |
|---|---|---|---|---|
| **31 December 2021** | | | | |
| Trade and other payables | 79 | - | - | 79 |
| | 79 | - | - | 79 |

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes bank borrowings, revolving credit facilities, and convertible loan notes and cash and cash equivalents and share capital.

In April 2021 the Group entered into a new £270,000,000 loan agreement, denominated in sterling, for 6 years at a floating rate of interest. The loan has standard compliance terms including a leverage test and minimum liquidity. At the same time the Group entered into a £27,500,000 rolling credit facility ("RCF") as well as renewed its £15,000,000 guarantee facility, and a further £12,500,000 RCF was entered into in June 2022.

In December 2022, the Group entered into a new £50,000,000 convertible loan note with a related party, of which £30,000,000 funding was drawn as at 31 December 2022. See note 25 for further details.

The Group does not manage to a target gearing figure, but it does manage the business to keep below the Consolidated Total Net Debt to pro-forma EBITDA covenant included in its banking facilities agreement. The covenant targets vary over time, and are periodically re-negotiated.

## 4 Financial risk management (continued)

### *d) Capital risk management*

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to maintain adequate liquidity levels for both sustaining and growing the business. For covenant purposes the Consolidated Total Net Debt includes bank borrowings and overdrafts and the capital portion of any leases, net of cash balances. Pro-forma EBITDA is based on Earnings before Interest, Tax, Depreciation and Amortisation. Under this new arrangement there is a need to maintain a minimum level of available liquidity and management has undertaken a number of measures to ensure these requirements are met.

### *e) Fair value estimation*

The Group's financial instruments that are carried at fair value fall within level 2 of the valuation hierarchy. The valuation hierarchy is defined as follows:

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
• Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**4 Financial risk management (continued)**

*Fair value instruments in level 2*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:
• Quoted market prices or dealer quotes for similar instruments;
• The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
• The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; and
• Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the Group's assets and liabilities that are measured at fair value:

| | Level 1<br>£ 000 | Level 2<br>£ 000 | Level 3<br>£ 000 | Total<br>£ 000 |
|---|---|---|---|---|
| **31 December 2022** | | | | |
| Interest rate swaps | - | 2,467 | - | 2,467 |
| Forward currency contracts - assets | - | 334 | - | 334 |
| Total assets | - | 2,801 | - | 2,801 |

| | Level 1<br>£ 000 | Level 2<br>£ 000 | Level 3<br>£ 000 | Total<br>£ 000 |
|---|---|---|---|---|
| **31 December 2021** | | | | |
| Forward currency contracts - assets | - | 433 | - | 433 |

The directors consider the carrying value of the other financial assets and liabilities held by the Group and Company to be a reasonable approximation of their fair value at the period end given that they are generally short term in nature and/or on terms which are considered equivalent to current market terms.

There were no transfers between levels during the period.

## 5 Revenue

| **Analysis of revenue recognition** | **Year ended 31 December 2022 £ 000** | **Year ended 31 December 2021 £ 000** |
|---|---|---|
| Revenue from contracts with customers | 377,293 | 341,453 |
| Leasing | 27,122 | 31,056 |
| | 404,415 | 372,509 |

**Analysis of revenue by geography:**

| | **Year ended 31 December 2022 £ 000** | **Year ended 31 December 2021 £ 000** |
|---|---|---|
| United Kingdom | 76,516 | 89,682 |
| Europe (excluding the UK) | 116,280 | 127,438 |
| Asia & Oceania | 139,403 | 89,979 |
| North America | 63,364 | 60,665 |
| South America | 6,163 | 2,325 |
| Africa | 2,689 | 2,420 |
| | 404,415 | 372,509 |

## 6 Employee benefits expense

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

| | Year ended 31 December 2022 £ 000 | Year ended 31 December 2021 £ 000 |
|---|---|---|
| Wages and salaries | 105,080 | 100,829 |
| Social security costs | 13,308 | 11,593 |
| Pension costs, defined contribution scheme | 4,974 | 4,788 |
| Share-based payment expenses (note 21) | - | - |
| Capitalisation of staff costs | (951) | (666) |
| | 122,411 | 116,544 |

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

| | Year ended 31 December 2022 No. | Year ended 31 December 2021 No. |
|---|---|---|
| Production and sales | 2,046 | 2,005 |
| Management and administration | 929 | 956 |
| | 2,975 | 2,961 |

There were no employees in the Company during the year (31 December 2021: nil).

## 7 Directors' remuneration

The directors' remuneration for the year was as follows:

| | Year ended 31 December 2022 £ 000 | Year ended 31 December 2021 £ 000 |
|---|---|---|
| Remuneration | 1,094 | 1,574 |
| Contributions paid to money purchase schemes | 61 | 50 |
| | 1,155 | 1,624 |

The directors are not remunerated for their services to the Company and their remuneration cannot be split between all the companies they are directors of. The above includes payments made to directors upon their departure of £43,000 (31 December 2021: £Nil).

The number of directors accruing benefits under a money purchase pension scheme is 3 (31 December 2021: 1).

In respect of the highest paid Director:

| | Year ended 31 December 2022 £ 000 | Year ended 31 December 2021 £ 000 |
|---|---|---|
| Remuneration | 577 | 859 |
| Company contributions to money purchase pension schemes | 48 | - |
| | 625 | 859 |

The highest paid director did not exercise any share options in the period.

## 8 Auditors' remuneration

| | Year ended 31 December 2022 £ 000 | Year ended 31 December 2021 £ 000 |
|---|---|---|
| Audit of the Company financial statements | 5 | 5 |
| Audit of the financial statements of subsidiaries of the Company | 3,125 | 2,372 |
| Audit of Group's consolidated financial statements | 250 | 250 |
| | 3,380 | 2,627 |

**Other fees to auditors**

| | | |
|---|---|---|
| Taxation compliance services | 187 | 309 |
| All other tax advisory services | - | 30 |
| All other non-audit services | - | 10 |
| | 187 | 349 |

## 9 Operating (loss)/ profit

Arrived at after charging/(crediting)

| | Note | Year ended 31 December 2022 £ 000 | Year ended 31 December 2021 £ 000 |
|---|---|---|---|
| Depreciation expense | 16 | 13,414 | 13,077 |
| Depreciation on right of use assets - Machinery | 17 | 1,168 | 1,439 |
| Depreciation on right of use assets - Property | 17 | 7,724 | 8,246 |
| Amortisation expense | 15 | 16,721 | 15,579 |
| Research and development cost | | 546 | 614 |
| Net warranty releases | 27 | (1,534) | (2,013) |
| Profit on disposal of property, plant and equipment | | (274) | (2,229) |
| Expense on short term leases | 23 | 554 | 210 |
| Expense on low value leases | 23 | 21 | 11 |
| Cost of inventories recognised as an expense | | 176,678 | 147,896 |
| Employee benefits expense | 6 | 122,411 | 116,544 |
| Impairment of intangible assets | 15 | 2,435 | - |

The research and development expenditure of £546,000 (31 December 2021: £614,000) is after capitalisation of £5,312,000 (31 December 2021: £5,952,000) of costs that relate solely to the development phase of a self-initiated project.

In accordance with IAS 36, intangibles not yet brought into use are required to be tested for impairment annually. Following that review, an impairment of £2,435,000 has been charged to the income statement (31 December 2021: £Nil) relating to IT assets.

### 10 Other operating income

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

| | Year ended 31 December 2022 £ 000 | Year ended 31 December 2021 £ 000 |
|---|---|---|
| Government grants | 128 | 2,511 |
| R&D expenditure credits | 1,532 | 1,474 |
| Other operating income | 164 | 766 |
| | 1,824 | 4,751 |

Government grants in the year relate to income for promoting investment and increasing employment in Northern Ireland. In prior year, government grants related to COVID-19 support measures made available by government and grants for new product development. 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.

## 11 Finance income and finance costs

| | Year ended 31 December 2022 £ 000 | Year ended 31 December 2021 £ 000 |
|---|---|---|
| **Finance income** | | |
| Interest income on bank deposits | - | 1 |
| Foreign exchange gains on unhedged portion of foreign currency borrowings | 46 | 7,316 |
| Other finance income | 163 | 10 |
| Total finance income | 209 | 7,327 |
| **Finance costs** | | |
| Net finance costs on pensions | (94) | (77) |
| Interest on bank overdrafts and borrowings | (28,992) | (15,862) |
| Other finance costs | (157) | (1,828) |
| Interest expenses on leases | (1,941) | (2,720) |
| Interest on amount owed to parent undertakings | - | (23,328) |
| Amortisation of finance costs | (1,648) | (1,081) |
| Total finance costs | (32,832) | (44,896) |
| Net finance costs | (32,623) | (37,569) |

## 12 Other losses

The analysis of the Group's other losses for the year is as follows:

| | Year ended 31 December 2022 £ 000 | Year ended 31 December 2021 £ 000 |
|---|---|---|
| Change in fair value of forward currency derivative assets/liabilities | 2,489 | 986 |

No other gains or losses have been recognised in respect of financial assets or liabilities held at fair value through profit or loss.

## 13 Income tax

Tax charged/ (credited) in the income statement

| | Year ended 31 December 2022 £ 000 | (As restated) Year ended 31 December 2021 £ 000 |
|---|---|---|
| **Current taxation** | | |
| Adjustments in respect of prior periods | (194) | (201) |
| Foreign tax | 3,835 | 2,398 |
| Total current income tax | 3,641 | 2,197 |
| **Deferred taxation** | | |
| Arising from origination and reversal of temporary differences | (4,151) | (11,473) |
| Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods | 363 | 260 |
| Total deferred taxation | (3,788) | (11,213) |
| Tax credit in the income statement | (147) | (9,016) |

The applicable tax rate is the weighted average for the period of the local tax rates in the territories in which the Group operates. The weighted average rate is subject to fluctuations from year to year based on the level of taxable profits and losses in each jurisdiction.

During the period, there has been an impact to other comprehensive income. These movements relate to actuarial gains or losses on Defined Benefit Pension schemes within the Group.

**Factors affecting the tax charge in future years**
The Group's future tax charge, and effective tax rate, could be affected by several factors including tax reform in countries around the world, future corporate acquisitions and disposals, any restructuring of our businesses and the resolution of open tax issues.

The prior year comparatives have been restated to correct for an error related to the recognition of a deferred tax assets. See note 34.

## 13 Income tax (continued)

The tax charge/(credit) in the income statement can be reconciled to the loss before tax per the income statement as follows:

| | Year ended 31 December 2022 £ 000 | (As restated) Year ended 31 December 2021 £ 000 |
|---|---|---|
| Loss before tax | (54,926) | (25,160) |
| Tax on loss before tax at 18.0% (31 December 2021: 23.0%) | (9,853) | (5,747) |
| Decrease in current tax from adjustment for prior periods | (194) | (201) |
| (Decrease)/increase from effect of different tax rates on some earnings | (136) | 861 |
| Decrease from effect of income exempt from taxation | (1,752) | (1,322) |
| Increase from effect of expenses not deductible in determining taxable profit | 2,632 | 2,277 |
| Effect of group relief surrendered for nil consideration | - | 4,434 |
| Increase/ (decrease) from tax losses for which no deferred tax asset was recognised | 9,427 | (9,583) |
| Deferred tax (credit)/expense from unrecognised temporary difference from a prior period | (326) | 260 |
| Other tax effects for reconciliation between accounting profit and tax expense | 55 | 5 |
| Total tax credit | (147) | (9,016) |

**13 Income tax (continued)**

**Deferred tax**

**Group**

Deferred tax assets and liabilities

| **31 December 2022** | **Asset £ 000** | **Liability £ 000** | **Net deferred tax £ 000** |
|---|---|---|---|
| Property, plant & equipment and intangibles | 1,864 | (2,603) | (739) |
| Tax losses carry-forwards | 2,611 | - | 2,611 |
| Other items | 896 | (516) | 380 |
| | 5,371 | (3,119) | 2,252 |

| **31 December 2021 (As restated)** | **Asset £ 000** | **Liability £ 000** | **Net deferred tax £ 000** |
|---|---|---|---|
| Property, plant & equipment and intangibles | 628 | (5,055) | (4,427) |
| Tax losses carry-forwards | 1,770 | - | 1,770 |
| Other items | 880 | (347) | 533 |
| | 3,278 | (5,402) | (2,124) |

## 13 Income tax (continued)

| | 31 December 2022 £ 000 | (As restated) 31 December 2021 £ 000 |
|---|---|---|
| **Deferred tax assets** | | |
| - to be utilised within 12 months | 671 | 410 |
| - to be utilised after more than 12 months | 4,700 | 2,868 |
| | 5,371 | 3,278 |
| **Deferred tax liabilities** | | |
| - to be utilised within 12 months | (390) | (675) |
| - to be utilised after more than 12 months | (2,729) | (4,727) |
| | (3,119) | (5,402) |

Deferred tax movement during the year:

| | (As restated) At 1 January 2022 £ 000 | Recognised in income £ 000 | Recognised in other comprehensive income £ 000 | Acquired in business combinations £ 000 | At 31 December 2022 £ 000 |
|---|---|---|---|---|---|
| Property, plant & equipment and intangibles | (4,427) | 4,028 | (340) | - | (739) |
| Tax losses carry-forwards | 1,770 | 387 | 454 | - | 2,611 |
| Other items | 533 | (627) | (214) | 688 | 380 |
| Net tax assets/(liabilities) | (2,124) | 3,788 | (100) | 688 | 2,252 |

**13 Income tax (continued)**

Deferred tax movement during the prior year:

| | At 1 January 2021 £ 000 | Recognised in income £ 000 | Recognised in other comprehensive income £ 000 | Currency translation differences £ 000 | (As Restated) At 31 December 2021 £ 000 |
|---|---|---|---|---|---|
| Property, plant & equipment and intangibles | (8,765) | 14,786 | 710 | (11,158) | (4,427) |
| Tax losses carry-forwards | 5,257 | (3,535) | 48 | - | 1,770 |
| Other items | 662 | (37) | 34 | (126) | 533 |
| Net tax assets/(liabilities) | (2,846) | 11,214 | 792 | (11,284) | (2,124) |

**Unrecognised deferred tax assets**

The recognition of deferred tax assets, particularly in respect of tax losses, is based upon whether management judge it is probable that there will be sufficient taxable profits in the relevant entity or tax group against which to utilise the assets in the future.

At 31 December 2022, the Group has unrecognised deferred income tax assets totalling £74,900,000 (31 December 2021: £67,300,000 As restated). £8,400,000 (31 December 2021: £14,900,000 As restated) of this amount relates to temporary differences and £66,500,000 (31 December 2021: £52,400,000 As restated) relates to tax losses. The majority of the unrecognised tax losses of £61,700,000 (31 December 2021: £53,000,000) relates to undertakings in the UK, US, Norway, Italy and Singapore. No deferred tax asset is recognised since it is uncertain whether losses will be utilised. Deferred tax assets will be recognised when it considered more likely than not that there would be sufficient taxable profits against which to utilise the losses.

## 14 Investments

| Company | Ordinary share capital £'000 | Preference share capital £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| **At 1 January 2022** | 525,129 | 259,683 | 784,812 |
| **At 31 December 2022** | 525,129 | 259,683 | 784,812 |
| **Impairment** | | | |
| **At 1 January 2022** | 390,190 | 259,683 | 649,873 |
| **At 31 December 2022** | 390,190 | 259,683 | 649,873 |
| **Carrying value** | | | |
| **At 31 December 2022** | 134,939 | - | 134,939 |
| At 31 December 2021 | 134,939 | - | 134,939 |

**14 Investments (continued)**

In the prior year, the Group restructured its intercompany loan position. To achieve an optimised position for the Group entities, the Group converted certain loans into equity. This was completed via intercompany debt to equity swaps with no cash movement within the Group.

In the Company, in the prior year this restructuring of intercompany loans resulted in those loans being converted into investments with a value of £410,384,000. Prior year expected credit losses in respect of these intercompany loans were reversed and credited to the Company income statement, totalling £292,555,000.

At the year end, an impairment assessment of the investment has been performed, by comparing the carrying value of the investment to the higher of the value in use and fair value less costs to sell of the Group. This has resulted in an impairment of £Nil (31 December 2021: £275,445,000) recognised in the Company income statement.

On 21 December 2022, the Group entered into a series of transaction steps to obtain additional financing. These steps were implemented to enhance the liquidity of the Group with respect to the financial covenants under the senior debt financing of the Group. A new company, Ocean Newco 1 Limited was established by existing shareholders of the Group who subscribed for new equity of £30,000,000 in Ocean Newco 1 Limited. At the same time, another new company, Ocean Newco 2 Limited was incorporated by Survitec Group Limited as a wholly owned subsidiary for £100 nominal share capital. Both companies were incorporated in Jersey and operate under Jersey law.

Ocean Newco 1 Limited used the proceeds received to subscribe for a Convertible Loan Note issued at par value by Ocean Newco 2 Limited. The convertible loan is guaranteed by the Group parent, Ark Topco Limited. The Notes have a term of 364 days. Under the terms of the Convertible Loan Note agreement, Ocean Newco 2 Limited shall be obligated to repay to Ocean Newco 1 Limited the Principle Face Value plus any accrued interest and capital on the Notes on the termination date. However, the loan notes will convert into equity in Ark Topco Limited, if certain conversion criteria, outside of the company's control, are met.

There is an intercompany loan between subsidiaries, Survitec Safety Solutions Norway AS and Survitec Group Limited. In consideration for the intercompany loan, Survitec Solutions Services Norway AS has granted a call option over the Company's life-raft assets. The call option is a commitment to contribute capital to Ocean Newco 2 Limited in the form of either the payment of £30,000,000 of cash or an instruction by the Company to Survitec Solutions Services Norway AS to give up the life-raft assets in return for negligible consideration. This obligation is contingent on whether conversion criteria outside of the Company's control takes place and not within the scope of IFRS 9.

The call option is a commitment to contribute capital to Ocean Newco 2 Limited in the form of either the payment of £30,000,000 of cash or an instruction by the company to Survitec Solutions Services Norway AS to give up the life-raft assets in return for negligible consideration. This obligation is contingent on whether conversion criteria outside of the company's control takes place, and that is outside the control of Survitec Group Limited (SGL) and not within the scope of IFRS 9. In essence if the loan is not converted the Call option can be exercised which is in effect collateral against the loan under which Survitec Solutions Services Norway AS would be forced to give up its life-raft assets to Ocean Newco 1 which is controlled by the shareholders.

**14 Investments (continued)**

**Group subsidiaries**

The subsidiary undertakings of the Group at 31 December 2022 and 2021 are set out below. Unless otherwise stated, the 100% interest in each undertaking is represented by equity capital and each undertaking operates from its country of incorporation. The share capital of all of the companies below, except for the share capital of Survitec Holdings 1 Limited and 1% of Wilhelmsen Safety do Brazil Ltda was held by subsidiary undertakings of the Company.

| Name of subsidiary | Principal activity | Registered office | Proportion of ownership interest and voting rights held 2022 | 2021 |
|---|---|---|---|---|
| Survitec AUD Newco Limited | Finance Company | The Aspect, Fourth Floor<br>12 Finsbury Square<br>London<br>EC2A 1AS<br>United Kingdom | 100% | 100% |
| Survitec Group Limited | Inflatable lifesaving, submarine escape & pilot flight equipment | The Aspect, Fourth Floor<br>12 Finsbury Square<br>London<br>EC2A 1AS<br>United Kingdom | 100% | 100% |
| RFD Beaufort Limited | Inflatable lifesaving,submarine escape & pilot flight equipment | The Aspect, Fourth Floor<br>12 Finsbury Square<br>London<br>EC2A 1AS<br>United Kingdom | 100% | 100% |
| Beaufort Air-Sea Equipment Limited | Dormant | The Aspect, Fourth Floor<br>12 Finsbury Square<br>London<br>EC2A 1AS<br>United Kingdom | 100% | 100% |

**14 Investments (continued)**

| Name of subsidiary | Principal activity | Registered office | Proportion of ownership interest and voting rights held 2022 | 2021 |
|---|---|---|---|---|
| Shark Sports Limited | Dormant | The Aspect, Fourth Floor<br>12 Finsbury Square<br>London<br>EC2A 1AS<br>United Kingdom | 100% | 100% |
| Lifeguard Equipment Limited | Dormant | The Aspect, Fourth Floor<br>12 Finsbury Square<br>London<br>EC2A 1AS<br>United Kingdom | 100% | 100% |
| Nauticair Components Limited | Dormant | The Aspect, Fourth Floor<br>12 Finsbury Square<br>London<br>EC2A 1AS<br>United Kingdom | 100% | 100% |
| RFD (Northern Ireland) Limited | Dormant | Kingsway<br>Dunmurry<br>Belfast<br>BT17 9AF | 100% | 100% |
| Kirkhill (Dormant) Limited | Dormant | The Aspect, Fourth Floor<br>12 Finsbury Square<br>London<br>EC2A 1AS<br>United Kingdom | 100% | 100% |
| Survival-One Limited | Sales and rental of survival suits to the offshore oil & gas industry | Findon Shore<br>Findon<br>Aberdeen<br>AB12 3RL | 100% | 100% |

**14 Investments (continued)**

| Name of subsidiary | Principal activity | Registered office | Proportion of ownership interest and voting rights held 2022 | 2021 |
|---|---|---|---|---|
| Seaweather Aviation Services Limited | Dormant | The Aspect, Fourth Floor<br>12 Finsbury Square<br>London<br>EC2A 1AS<br>United Kingdom | 100% | 100% |
| Seaweather Holdings Limited | Dormant | The Aspect, Fourth Floor<br>12 Finsbury Square<br>London<br>EC2A 1AS<br>United Kingdom | 100% | 100% |
| Seaweather Marine Services Limited | Dormant | The Aspect, Fourth Floor<br>12 Finsbury Square<br>London<br>EC2A 1AS<br>United Kingdom | 100% | 100% |
| Survitec Group (USA) Inc | Holding Company | 1420 Wolf Creek Trail<br>PO Box 359<br>Sharon Center<br>Ohio OH 44274, USA | 100% | 100% |
| RFD Beaufort Inc. | Dormant | 1420 Wolf Creek Trail<br>PO Box 359<br>Sharon Center<br>Ohio OH 44274, USA | 100% | 100% |
| Survitec Survival Products Inc. | Sales of marine safety equipment | 1420 Wolf Creek Trail<br>PO Box 359<br>Sharon Center<br>Ohio OH 44274, USA | 100% | 100% |
| DSB Deutsche Schlauchboot GmbH | Inflatable liferafts, boats & special products | Angerweg 5<br>37632 Escherhausen<br>Germany | 100% | 100% |

**14 Investments (continued)**

| Name of subsidiary | Principal activity | Registered office | Proportion of ownership interest and voting rights held 2022 | 2021 |
|---|---|---|---|---|
| Eurovinil S.p.A | Inflatable liferafts & large inflatable buildings | Via Genova 5<br>58100 Grosseto<br>Italy | 100% | 100% |
| Survitec Group (Australia) Pty Limited | Holding Company | 2 Burilda Close<br>Wetherill Park<br>NSW 2164<br>Australia | 100% | 100% |
| RFD (Australia) Pty Limited | Sales & service of marine safety equipment | 2 Burilda Close<br>Wetherill Park<br>NSW 2164<br>Australia | 100% | 100% |
| RFD New Zealand Limited | Sales & service of marine safety equipment | Lockhart Place, Mount Wellington<br>PO Box 2386<br>Auckland<br>New Zealand | 100% | 100% |
| RFD Japan Limited | Sales & service of marine safety equipment | 7-24 Shinyamashita 3-chome<br>Naka-ku<br>Yokohama<br>Japan | 80% | 80% |
| Survitec Group (Singapore) Pte Limited | Sales & service of marine safety equipment | 25 Senoko South Road<br>Singapore 758081 | 100% | 100% |
| W H Brennan & Co (Private) Limited | Sales & service of marine safety equipment | 25 Senoko South Road<br>Singapore 758081 | 100% | 100% |

**14 Investments (continued)**

| Name of subsidiary | Principal activity | Registered office | Proportion of ownership interest and voting rights held 2022 | 2021 |
|---|---|---|---|---|
| W H Brennan (Hong Kong) Limited | Sales & service of marine safety equipment | Room 1002, 10/F<br>Sun Hing Industrial Building<br>22 Kinfat Street<br>New Territories<br>Tuen Mun<br>Hong Kong | 100% | 100% |
| W H Brennan (Shanghai) Co Limited | Sales & service of marine safety equipment | Block 11<br>128 Dieqiao Road<br>Shanghai 201315<br>China | 100% | 100% |
| Survitec Korea Co. Limited | Sales & service of marine safety equipment | 90 Hwajeonsandan 5-ro,<br>Gangseo-gu<br>Busan 46738<br>South Korea | 100% | 100% |
| RFD France SAS | Sales & service of marine safety equipment | ZI les Estaches<br>214 Rue de Bruxelles<br>62730 Les Attaques<br>France | 100% | 100% |
| Survitec Services & Distribution Limited | Sales & service of marine safety equipment' | The Aspect, Fourth Floor<br>12 Finsbury Square<br>London<br>EC2A 1AS<br>United Kingdom | 100% | 100% |
| Survitec Service & Distribution S.L. | Holding Company | C/Jose Agustin Goytisilo<br>33 nave B1<br>08908 Hospitalet de LLobregat<br>Barcelona<br>Spain | 100% | 100% |

# Survitec Acquisition Company Limited

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 14 Investments (continued)

| Name of subsidiary | Principal activity | Registered office | Proportion of ownership interest and voting rights held 2022 | 2021 |
|---|---|---|---|---|
| Survitec Service & Distribution N.V. | Sales & service of marine safety equipment | Vitshoekstraat 44<br>2030 Antwerpen<br>Belgium | 100% | 100% |
| Survitec Service & Distribution GmbH | Sales & service of marine safety equipment | Winsbergring 8<br>D-22525 Hamburg<br>Germany | 100% | 100% |
| Oceana Air Sea Trading Company B.V. | Holding Company | Willem Barentszstraat 47-49<br>Rotterdam 3165 AA<br>Albrandswaard, the Netherlands | 100% | 100% |
| Survitec Group (France) SAS | Holding Company | Route de Chatenet<br>17210 Chevanceaux<br>France | 100% | 100% |
| Survitec SAS | Inflatable lifesaving equipment | Route de Chatenet<br>17210 Chevanceaux<br>France | 100% | 100% |
| DBC Marine Safety Systems Limited | Inflatable lifesaving equipment | 1689 Cliveden Avenue, Delta<br>Vancouver V3M 6V5<br>British Columbia<br>Canada | 100% | 100% |
| Survitec Group Norway AS | Holding Company | Gangstovikeien 66<br>6009 Aalesund<br>Norway | 100% | 100% |
| Survitec Norway AS* | Sales & service of marine safety equipment | Gangstovikeien 66<br>6009 Aalesund<br>Norway | 0% | 100% |

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 14 Investments (continued)

| *Name of subsidiary* | *Principal activity* | *Registered office* | **Proportion of ownership interest and voting rights held** 2022 | 2021 |
|---|---|---|---|---|
| Survitec Sweden AB | Sales & service of marine safety equipment | Ovädersgaten 7<br>418 34 Göteborg<br>Sweden | 100% | 100% |
| Risk Security Service US Inc. | Sales & service of offshore oil & gas related safety equipment | 1640-B Brittmore Road<br>Houston<br>Texas 77043<br>USA | 100% | 100% |
| Servaux Survitec SAS | Sales & service of marine safety equipment | 765 Chemin du Littoral Anse de Saumaty<br>13016 Marseille<br>France | 50% | 50% |
| Survitec Global Solutions Limited | Operation of global raft hire projects | The Aspect, Fourth Floor<br>12 Finsbury Square<br>London<br>EC2A 1AS<br>United Kingdom | 100% | 100% |
| Survitec Group International Limited | Administration of group network of service stations | The Aspect, Fourth Floor<br>12 Finsbury Square<br>London<br>EC2A 1AS<br>United Kingdom | 100% | 100% |
| Survitec Survival Craft Limited | Sales & service of marine safety equipment | Findon Shore<br>Findon<br>Aberdeen AB12 3RL<br>Scotland | 100% | 100% |
| Survitec Survival Craft Inc | Sales & service of marine safety equipment | 5847 San Felipe<br>San Felipe Plaza, Suite 1700<br>Houston, Texas TX77062<br>USA | 100% | 100% |

### 14 Investments (continued)

| Name of subsidiary | Principal activity | Registered office | *Proportion of* ownership interest and voting rights held 2022 | 2021 |
|---|---|---|---|---|
| Survitec Viscom Limited | Training & media services | Findon Shore, Findon<br>Aberdeen AB12 3RL<br>Scotland | 100% | 100% |
| Survitec Safety Solutions do Brasil Ltda | Maritime products and services | Rua Bispo Lacerda 61/67<br>Del Castilho<br>Rio de Janeiro<br>Brazil | 100% | 100% |
| Survitec Safety Solutions Canada Inc. | Maritime products and services | 1689 Cliveden Avenue, Delta<br>Vancouver V3M 6V5<br>British Columbia<br>Canada | 100% | 100% |
| Survitec Safety Solutions Panama S.A. | Maritime products and services | Int.Business Park<br>Flexi Bodegas Unit #4<br>Panama Pacifico | 100% | 100% |
| Survitec Safety Solutions US LLC | Maritime products and services | 9400 New Century Drive<br>Pasadena<br>Texas 77507<br>United States | 100% | 100% |
| Survitec Safety Solutions Australia Pty Limited | Maritime products and services | 2 Burilda Close<br>Wetherill Park<br>NSW 2164<br>Australia | 100% | 100% |
| Survitec Safety Solutions China Co. Ltd | Maritime products and services | Block 11<br>128 Dieqiao Road<br>Shanghai 201315<br>China | 100% | 100% |

**14 Investments (continued)**

| Name of subsidiary | Principal activity | Registered office | Proportion of ownership interest and voting rights held 2022 | 2021 |
|---|---|---|---|---|
| Survitec Safety Solutions Hong Kong Ltd | Maritime products and services | Room 1104-6, 11th Floor Lu Plaza 2 Wing Yip Street Kwun Tong Kowloon Hong Kong | 100% | 100% |
| Survitec Safety Solutions Japan Co. Limited | Maritime products and services | 13th Floor Gontenyama Trust Tower 7-35 Kitashinagawa 4-chome Shinagawa-Ku 140-0001 Tokyo | 100% | 100% |
| Survitec Safety Solutions Korea Co. Limited** | Maritime products and services | 90 Hwajeonsandan 5-ro, Gangseo-gu Busan 46738 South Korea | 0% | 100% |
| Survitec Safety Solutions Malaysia Sdn. Bhd. | Maritime products and services | 18th Floor, 1 Sentral Jalan Rakyat, Kuala Lumpur Sentral Kuala Lumpur 50470 Malaysia | 100% | 100% |
| Survitec Safety Solutions Singapore Pte Limited*** | Maritime products and services | 25 Senoko South Road Singapore 758081 | 0% | 100% |
| Survitec Safety Solutions Belgium NV | Maritime products and services | Vosseschijnstraat 44 2030 Antwerpen Antwerp Belgium | 100% | 100% |
| Survitec Safety Solutions Cyprus Limited | Maritime products and services | Atlantis Building, Office 101, 1st Floor 2 Makariou III Ave, Mesa Yito Limassol CY-3036 Cyprus | 100% | 100% |

**14 Investments (continued)**

| Name of subsidiary | Principal activity | Registered office | Proportion of ownership interest and voting rights held 2022 | 2021 |
|---|---|---|---|---|
| Survitec Safety Solutions Germany Gmbh**** | Maritime products and services | 1 Riedemannstr Bremerhaven 27572 Germany | 0% | 100% |
| Survitec Safety Solutions Hellas Sole-Shareholder SA | Maritime products and services | D. Moutsopoulo 100, Piraeus Greece 18541 | 100% | 100% |
| Survitec Safety Solutions Italy Srl | Maritime products and services | Corso Perrone 9N/19S Genova Italy 16152 | 100% | 100% |
| Survitec Safety Solutions Netherlands BV | Maritime products and services | Willem Barentszstraat 47-49 Rotterdam 3165 AA Albrandswaard, the Netherlands | 100% | 100% |
| Survitec Safety Solutions Poland Sp. z.o.o | Maritime products and services | UL. Plac Rodla 9 2nd Floor Szczecin 70-419 Poland | 100% | 100% |
| Survitec Safety Solutions Portugal SUL | Maritime products and services | Fracçao E, Zona Industrial do Carvalhinho Moita 2860-579 Portugal | 100% | 100% |
| Survitec Safety Solutions Spain SL | Maritime products and services | C/Jose Agustin Goytisilo 33 nave B1 08908 Hospitalet de Llobregat Barcelona Spain | 100% | 100% |

**14 Investments (continued)**

| Name of subsidiary | Principal activity | Registered office | Proportion of ownership interest and voting rights held 2022 | 2021 |
|---|---|---|---|---|
| Survitec Safety Solutions Canarias SLU | Maritime products and services | 12 Cuzco<br>Las Palmas de Gran Canaria<br>35008<br>*Spain* | 100% | 100% |
| Survitec Safety Solutions UK Limited | Maritime products and services | The Aspect, Fourth Floor<br>12 Finsbury Square<br>London<br>EC2A 1AS<br>United Kingdom | 100% | 100% |
| Survitec Safety Solutions South Africa Proprietary Limited | Maritime products and services | 49 Island Circle, Riverhorse Valley<br>Durban 4017<br>South Africa | 100% | 100% |
| Survitec Turkey Emniyet Cozum Leri LTD STI | Maritime products and services | Abide-i Hürriyet Caddesi<br>Bolkan Center C Blok No:211<br>K:3<br>Şişli İstanbul 34381<br>Turkey | 100% | 100% |
| Survitec Safety Solutions Norway AS | Maritime products and services | Strandveien 20<br>1366 Lysaker<br>Norway | 100% | 100% |
| Survitec Fire Solutions Japan Co. Limited | Fire safety systems | 2-63 Imazunishihama-cho<br>Nishinomiya-shi<br>Hyogo | 100% | 100% |
| Survitec Fire Solutions Norway AS | Holding Company | Strandveien 20<br>1366 Lysaker<br>Baerum<br>Oslo<br>Norway | 100% | 100% |

**14 Investments (continued)**

| Name of subsidiary | Principal activity | Registered office | Proportion of ownership interest and voting rights held 2022 | 2021 |
|---|---|---|---|---|
| Survitec Fire Solutions Poland Sp. z.o.o | Fire Safety Solutions | Stobno 74<br>72-002<br>Stobno<br>Poland | 100% | 100% |
| Survitec Fire Solutions Singapore Pte. Limited | Fire Safety Solutions | 25 Senoko South Road<br>Singapore 758081 | 100% | 100% |
| Survitec Fire Solutions Korea Co. Limited | Fire Safety Solutions | 90 Hwajeonsandan 5-ro,<br>Gangseo-gu<br>Busan 46738<br>South Korea | 100% | 100% |
| Novenco Fire Fighting A/S | Fire Fighting Solutions | Lille Tombjerg Vej 30<br>5220 Odense SØ<br>Denmark | 100% | 100% |
| Maritime Protection AS | Fire Safety Solutions | Rigedalen 13<br>Kristiansand 4626<br>Norway | 100% | 100% |
| Survitec Fire Solutions China Co. Limited | Fire Safety Solutions | Block 11<br>128 Dieqiao Road<br>Shanghai 201315<br>China | 100% | 100% |
| RFD Limited | Dormant | The Aspect, Fourth Floor<br>12 Finsbury Square<br>London<br>EC2A 1AS<br>United Kingdom | 100% | 100% |

**14 Investments (continued)**

| Name of subsidiary | Principal activity | Registered office | Proportion of ownership interest and voting rights held 2022 | 2021 |
|---|---|---|---|---|
| Survitec Holdings 1 Limited (formerly - Survitec Group (Cayman Islands) Limited) | Holding Company | c/o Intertrust Corporate Services (Cayman) Limited<br>190 Elgin Avenue<br>George Town KY1-9005<br>Cayman Islands | 100% | 100% |
| Survitec Group (Finance 1) Limited | Dormant | The Aspect, Fourth Floor<br>12 Finsbury Square<br>London<br>CH41 1HQ<br>United Kingdom | 100% | 100% |
| Survitec Safety Equipment Trading and Installation LLC | Maritime products and services | 24th Damac Executive Height Bldg<br>P.O.Box:12089<br>Tecom C<br>Dubai | 49% | 49% |
| Survitec Group Holdco Limited | Intermediate holding company | The Aspect, Fourth Floor<br>12 Finsbury Square<br>London<br>EC2A 1AS<br>United Kingdom | 100% | 100% |
| Battlefield Sim Limited | Maritime products and services | The Aspect, Fourth Floor<br>12 Finsbury Square<br>London<br>EC2A 1AS<br>United Kingdom<br>England | 100% | 100% |
| Hansen Protection AS | Manufacturing, sale and rental of survival suits | Tykkemyr 27<br>Moss<br>1597<br>Norway | 100% | 100% |

**14 Investments (continued)**

| Name of subsidiary | Principal activity | Registered office | Proportion of ownership interest and voting rights held 2022 | 2021 |
|---|---|---|---|---|
| Lyngsøe Rainwear ApS | Sale of protective workwear | Hammershusvej 1B<br>Herning<br>7400<br>Denmark | 100% | 100% |
| Biardo Survival Suits BV | Sale, service and rental of survival suits | De Trompet 2800<br>Heemserk<br>1967<br>Netherlands | 100% | 100% |
| Helippe ApS | Rental of protective suits for offshore windmills | Vesterhavsgade 145<br>Esbjerg<br>6700<br>Denmark | 100% | 100% |
| Helippe Limited | Rental of protective suits for offshore windmills | Fish Dock Service Quay,<br>Humber Bridge Road<br>Grimsby<br>DN31 3AS<br>United Kingdom | 100% | 100% |
| Helippe GmbH | Rental of protective suits for offshore windmills | Gorch Fock Strasse 103<br>Emden<br>2671<br>Germany | 100% | 100% |
| Helippe Holding Aps | Holding company | Vesterhavsgade 145<br>Esbjerg<br>6700<br>Denmark | 100% | 100% |
| Hansen Protection AB | Sale of protective suits and equipment | Lappesandsvägen 61<br>Hönö<br>475 41<br>Sweden | 100% | 100% |

**14 Investments (continued)**

| ***Name of subsidiary*** | ***Principal activity*** | ***Registered office*** | **Proportion of ownership interest and voting rights held 2022** | **2021** |
|---|---|---|---|---|
| Hansen Protection Canada Limited | Dormant | 24 Quindora Crescent<br>Dartmouth<br>Nova Scotia<br>B2W6G3<br>Canada | 100% | 100% |
| Blue Anchor Fire and Safety Limited | Service and supply of fire and safety equipment | Hopetown<br>Boyndie<br>Banff<br>Aberdeenshire<br>AB45 2LR<br>United Kingdom | 100% | 100% |
| Survitec Aerospace & Defence (UK) Limited | Dormant | The Aspect, Fourth Floor<br>12 Finsbury Square<br>London<br>EC2A 1AS<br>United Kingdom | 100% | 100% |
| Survitec Safety Maintenance and Trading LLC | Maritime products and services | The Aspect, Fourth Floor<br>12 Finsbury Square<br>London<br>EC2A 1AS<br>United Kingdom | 49% | 49% |
| Ocean Newco 2 Limited***** | Financing activities | 47 Esplanade, St Helier, Jersey,<br>JE1 0BD | 100% | 0% |

**14 Investments (continued)**

During the year the Group enacted a number of mergers for entities in the same jurisdiction. Details of which are below:

* Survitec Norway AS merged with Survitec Safety Solutions Norway AS on 30 April 2022 and has been dissolved.
** Survitec Safety Solutions Korea Co. Ltd merged with Survitec Korea Co. Limited on 31 July 2022 and has been dissolved.
*** Survitec Safety Solutions Singapore Pte Ltd merged with WH Brennan (Private) Limited on 31 March 2022 and has been dissolved.
**** Survitec Safety Solutions Germany Gmbh merged with Survitec Service & Distribution GmbH on 31 July 2022 and has been dissolved.
***** Ocean Newco 2 Limited was incorporated by Survitec Group Limited as a wholly owned subsidiary on 21 December 2022 with share capital of £100.

## 15 Intangible assets

| | Goodwill £ 000 | Contractual customer relationships £ 000 | Developed technology £ 000 | Patents, trademarks, brands and other intangibles £ 000 | Total £ 000 |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 January 2021 | - | 191,303 | 127,797 | 49,984 | 369,084 |
| Additions | - | - | 5,952 | 2,417 | 8,369 |
| Acquired through business combinations | 45,262 | 32,395 | - | 10,981 | 88,638 |
| Disposals | - | - | - | (124) | (124) |
| Foreign exchange movements | - | (1,412) | (345) | (305) | (2,062) |
| At 31 December 2021 | 45,262 | 222,286 | 133,404 | 62,953 | 463,905 |
| At 1 January 2022 | 45,262 | 222,286 | 133,404 | 62,953 | 463,905 |
| Additions | - | - | 5,312 | 6,814 | 12,126 |
| Disposals | - | - | - | (1,163) | (1,163) |
| Foreign exchange movements | - | (50) | 163 | 272 | 385 |
| At 31 December 2022 | 45,262 | 222,236 | 138,879 | 68,876 | 475,253 |
| **Accumulated Amortisation** | | | | | |
| At 1 January 2021 | - | 134,746 | 99,601 | 34,132 | 268,479 |
| Amortisation charge | - | 8,897 | 3,300 | 3,382 | 15,579 |
| Amortisation eliminated on disposals | - | - | - | (115) | (115) |
| Foreign exchange movements | - | (417) | (157) | (220) | (794) |
| At 31 December 2021 | - | 143,226 | 102,744 | 37,179 | 283,149 |
| At 1 January 2022 | - | 143,226 | 102,744 | 37,179 | 283,149 |
| Amortisation charge | - | 9,619 | 3,012 | 4,090 | 16,721 |
| Amortisation eliminated on disposals | - | - | - | (1,120) | (1,120) |
| Impairment | - | - | - | 2,435 | 2,435 |
| Foreign exchange movements | - | (30) | 126 | 208 | 304 |
| At 31 December 2022 | - | 152,815 | 105,882 | 42,792 | 301,489 |

## 15 Intangible assets (continued)

| | Goodwill £ 000 | Contractual *customer* relationships £ 000 | *Developed* technology £ 000 | Patents, trademarks, brands and *other* intangibles £ 000 | Total £ 000 |
|---|---|---|---|---|---|
| ***Carrying amount*** | | | | | |
| At 31 December 2022 | 45,262 | 69,421 | 32,997 | 26,084 | 173,764 |
| At 31 December 2021 | 45,262 | 79,060 | 30,660 | 25,774 | 180,756 |
| At 31 December 2020 | - | 56,557 | 28,196 | 15,852 | 100,605 |

### 15 Intangible assets (continued)

Under the terms of the Group's facilities agreement, the Group has granted a fixed and floating charge over the assets held by Group companies that are subject to the Group's banking facilities. As at the reporting date the total value of intangible assets subject to such charge was £25,518,000 (31 December 2021: £16,737,000).

The Group tests its non-current assets annually for impairment or more frequently if there are indications that they might be impaired. Fair values are estimated based on level 3 inputs within the IFRS 13 fair value hierarchy. The carrying amount of each CGU is compared to the higher of value in use and fair value less costs to sell of the CGU. Discounted cashflow models have been used to determine the carrying value of each CGU. As disclosed in note 3 (Critical accounting judgements and key sources of estimation uncertainty), there are three CGU's for the year ended 31 December 2022 (31 December 2021: three).

The recoverable amount of the CGUs has been determined based on the higher of value in use and fair value less costs to sell calculations. The calculation uses cash flow projections based on financial forecasts approved by Management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a terminal value. The growth rate does not exceed the long-term average growth rate for the sector in which the CGU operates.

The key assumptions for the Defence CGU were growth rates within the five-year financial budgets (long term growth rate 2%) and discount rate (13.65%) (31 December 2021: long term growth rate 2% and discount rate (11.26%). The key assumptions for the Marine CGU were growth rates within the five-year financial budgets (long term growth rate at 2%), discount rate (13.23%) (31 December 2021: long term growth rate at 2%, discount rate 10.10% and operating efficiencies). The key assumptions for the Hansen Protection CGU were growth rates within the five-year financial budgets (long term growth rate at 2%) and, discount rate (13.42%) (31 December 2021: long term growth rate at 2%, discount rate 10.82% and operating efficiencies).

The unimpaired goodwill as at 31 December 2022 is made up of £43,760,000 relating to the Hansen Protection CGU and £1,502,000 relating to the Marine CGU.

**15 Intangible assets (continued)**

The impairment review concluded on 31 December 2022 that the recoverable amount of the Defence CGU exceeded its carrying amount (31 December 2021: recoverable amount exceeded the carrying amount). The recoverable amount of the CGU was £168,827,000 (31 December 2021: £133,189,000), compared to a carrying value of £68,684,000 (31 December 2021: £65,026,000).

The impairment review concluded on 31 December 2022 that the recoverable amount of the Marine CGU exceeded its carrying amount (31 December 2021: recoverable amount exceeded the carrying amount). The recoverable amount of the CGU was £150,600,000 (31 December 2021: £164,444,000), compared to a carrying value of £119,034,000 (31 December 2021: £128,987,000). The Marine CGU has a total impairment recognised to date of £160,151,000. The impairment is recognised in intangible assets and property, plant and equipment. No impairment reversal has been recognised in the current or prior year.

The impairment review concluded on 31 December 2022 that the recoverable amount of the Hansen Protection CGU exceeded its carrying amount. (31 December 2021: recoverable amount exceeded the carrying amount). The recoverable amount of the CGU was £113,225,000 (31 December 2021: £107,229,000) compared to a carrying value of £111,902,000 (31 December 2021: £83,124,000).

The Marine and Hansen Protection CGUs are the most sensitive to the assumptions. If the long-term growth rate percentage and/or discount rate percentage increased or decreased by 0.5%, the change in the recoverable amount of the Marine and Hansen Protection CGUs would be as follows (all amounts stated in £k and positive numbers represent an increase recoverable amount):

## Marine

**31 December 2022**

| £ 000 | **Growth rate +0.5%** | **Growth rate +0%** | **Growth rate -0.5%** |
|---|---|---|---|
| **Discount rate +0.5%** | (2,984) | (9,321) | (15,141) |
| **Discount rate +0%** | 7,056 | - | (6,454) |
| **Discount rate -0.5%** | 18,126 | 10,238 | 3,052 |

**15 Intangible assets (continued)**

### Hansen Protection

Given the headroom of £1,323,000 in respect of the Hansen Protection CGU, the below table of sensitivities demonstrates that reasonably possible changes in the assumptions in respect of the discount rate, growth rate, contribution margin and EBITDA could give rise to an impairment of goodwill.

**31 December 2022**

| £ 000 | Growth rate +0.5% | Growth rate +0% | Growth rate -0.5% |
|---|---|---|---|
| **Discount rate +0.5%** | (3,257) | (4,861) | (6,331) |
| **Discount rate +0%** | 1,849 | - | (1,689) |
| **Discount rate -0.5%** | 7,453 | 5,315 | 3,370 |

Both the Marine and Hansen Protection CGUs are also sensitive to changes in trading performance. The table below shows the impact on the recoverable amounts from a 1.0% increase or decrease in contribution margin and a 5.0% increase or decrease in Earnings before interest, tax, depreciation and amortisation (EBITDA):

| £ 000 | Marine | Hansen Protection |
|---|---|---|
| **Contribution margin +1.0%** | 29,318 | 3,821 |
| **Contribution margin -1.0%** | (29,318) | (3,855) |
| **EBITDA +5.0%** | 18,404 | 5,961 |
| **EBITDA -5.0%** | (18,404) | (6,021) |

Sensitivity calculations have also been performed on the Defence CGU and do not result in any risk of impairment. In the opinion of the Directors there are no reasonably possible changes in key assumptions that could give rise to an impairment in the Defence CGU.

Impairment assessments have also been performed across intangible assets, where impairment indicators have been identified in accordance with IAS 36. This has resulted in an impairment charge of £2,435,000 being recognised in the year (31 December 2021: £Nil).

## 16 Property, plant and equipment

**Group**

| | Land £ 000 | Freehold buildings £ 000 | Leasehold improvements £ 000 | Other property, plant and equipment £ 000 | Total £ 000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2021 | 1,147 | 19,481 | 4,449 | 121,491 | 146,568 |
| Additions | - | 1,683 | 6,082 | 17,721 | 25,486 |
| Acquired through business combinations | - | - | 76 | 16,835 | 16,911 |
| Classified as held for sale or in a disposal group classified as held for sale | - | (225) | - | (469) | (694) |
| Disposals | - | (2,359) | (1,439) | (5,741) | (9,539) |
| Foreign exchange movements | (37) | (837) | (116) | (2,570) | (3,560) |
| At 31 December 2021 | 1,110 | 17,743 | 9,052 | 147,267 | 175,172 |
| At 1 January 2022 | 1,110 | 17,743 | 9,052 | 147,267 | 175,172 |
| Additions | 270 | 682 | 1,436 | 21,682 | 24,070 |
| Disposals | - | - | (31) | (10,012) | (10,043) |
| Transfer | - | (6,024) | 6,024 | - | - |
| Foreign exchange movements | 39 | 1,161 | 670 | 2,428 | 4,298 |
| At 31 December 2022 | 1,419 | 13,562 | 17,151 | 161,365 | 193,497 |
| **Accumulated Depreciation** | | | | | |
| At 1 January 2021 | 511 | 13,896 | 2,870 | 95,776 | 113,053 |
| Charge for year | - | 1,143 | 1,024 | 10,910 | 13,077 |
| Eliminated on disposal | - | (869) | (1,234) | (3,061) | (5,164) |
| Foreign exchange movements | (9) | (638) | (59) | (1,427) | (2,133) |
| Classified as held for sale or in a disposal group classified as held for sale | - | - | - | (353) | (353) |
| At 31 December 2021 | 502 | 13,532 | 2,601 | 101,845 | 118,480 |

### 16 Property, plant and equipment (continued)

| | Land<br>£ 000 | Freehold buildings<br>£ 000 | Leasehold improvements<br>£ 000 | Other property, plant and equipment<br>£ 000 | Total<br>£ 000 |
|---|---|---|---|---|---|
| At 1 January 2022 | 502 | 13,532 | 2,601 | 101,845 | 118,480 |
| Charge for the year | - | 771 | 743 | 11,900 | 13,414 |
| Eliminated on disposal | - | - | (31) | (8,305) | (8,336) |
| Transfer | - | (3,807) | 3,807 | - | - |
| Foreign exchange movements | 2 | 856 | 385 | 1,877 | 3,120 |
| At 31 December 2022 | 504 | 11,352 | 7,505 | 107,317 | 126,678 |
| **Carrying amount** | | | | | |
| At 31 December 2022 | 915 | 2,210 | 9,646 | 54,048 | 66,819 |
| At 31 December 2021 | 608 | 4,211 | 6,451 | 45,422 | 56,692 |
| At 31 December 2020 | 636 | 5,585 | 1,579 | 25,715 | 33,515 |

Under the terms of the Group's facilities agreement, the Group has granted a fixed and floating charge over the assets held by Group companies that are subject to the Group's banking facilities. As at the reporting date the total value of property, plant and equipment subject to such charge was £54,202,000 (31 December 2021: £57,552,000).

The Group tests its non-current assets annually for impairment or more frequently if there are indications that they might be impaired. Fair values are estimated based on level 3 inputs within the IFRS 13 fair value hierarchy. The carrying amount of each CGU is compared to the higher of value in use and fair value less costs to sell of the CGU. Discounted cashflow models have been used to determine the carrying value of each CGU. As disclosed in note 3, there are three CGU's for the year ended 31 December 2022 (31 December 2021: three).

Please refer to note 15 for sensitivity analysis.

There were no impairments identified for the year ended 31 December 2022 (31 December 2021: none).

The Group is actively marketing a property for sale, and in accordance with IFRS5, has recognised certain land and other property, plant and equipment with a net book value of £340,000 as assets held for sale at the year end. The asset held for sale is recognised as net book value which is lower than the fair value less costs to sell.

## 17 Right of use assets

**Group**

| | Machinery £ 000 | Property £ 000 | Total £ 000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2021 | 6,890 | 36,190 | 43,080 |
| Additions | 1,883 | 9,776 | 11,659 |
| Acquired through business combination | - | 4,027 | 4,027 |
| Disposals | (1,203) | (4,047) | (5,250) |
| Movements in Foreign Exchange | (353) | (873) | (1,226) |
| At 31 December 2021 | 7,217 | 45,073 | 52,290 |
| At 1 January 2022 | 7,217 | 45,073 | 52,290 |
| Additions | 637 | 6,223 | 6,860 |
| Disposals | (1,965) | (716) | (2,681) |
| Movements in Foreign Exchange | 208 | 1,252 | 1,460 |
| At 31 December 2022 | 6,097 | 51,832 | 57,929 |
| **Accumulated Depreciation** | | | |
| At 1 January 2021 | 3,702 | 9,030 | 12,732 |
| Charge for year | 1,439 | 8,246 | 9,685 |
| Eliminated on disposal | (1,177) | (3,742) | (4,919) |
| Movements in Foreign Exchange | (191) | (258) | (449) |
| At 31 December 2021 | 3,773 | 13,276 | 17,049 |
| At 1 January 2022 | 3,773 | 13,276 | 17,049 |
| Charge for the year | 1,168 | 7,724 | 8,892 |
| Eliminated on disposal | (646) | (100) | (746) |
| Movements in Foreign Exchange | 130 | 549 | 679 |
| At 31 December 2022 | 4,425 | 21,449 | 25,874 |
| **Carrying amount** | | | |
| At 31 December 2022 | 1,672 | 30,383 | 32,055 |
| At 31 December 2021 | 3,444 | 31,797 | 35,241 |

## 18 Inventories

| | 31 December 2022 £ 000 | Group 31 December 2021 £ 000 |
|---|---|---|
| Raw materials and consumables | 27,386 | 22,131 |
| Work in progress | 7,980 | 9,886 |
| Finished goods and goods for resale | 58,389 | 45,397 |
| | 93,755 | 77,414 |

Provisions against inventory at the end of the period totalled £7,844,000 (31 December 2021: £6,336,000). This has increased due to creation of provisions totalling £4,854,000 and foreign currency exchange differences of £284,000, which are offset by utilisation of £3,630,000.

## 19 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 31 December 2022 £ 000 | 31 December 2021 £ 000 | 31 December 2022 £ 000 | 31 December 2021 £ 000 |
| Trade receivables | 62,851 | 59,389 | - | - |
| Provision for impairment of trade receivables | (1,135) | (861) | - | - |
| Net trade receivables | 61,716 | 58,528 | - | - |
| Prepayments | 11,489 | 9,773 | - | - |
| Other receivables | 13,661 | 10,600 | - | - |
| VAT | 6,307 | 4,401 | - | - |
| | 93,173 | 83,302 | - | - |

There are no customers who each represent more than 5 per cent of the total balance of trade receivables (31 December 2021: no customers).

Other receivables include loans made to management (see note 32) and amounts due from invoice factoring lenders.

### 19 Trade and other receivables (continued)

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

| | 31 December 2022 £ 000 | 31 December 2021 £ 000 |
|---|---|---|
| Contract assets recognised at start of the year | 6,989 | 6,417 |
| Revenue recognised in the previous period that was invoiced and received during the year | (6,989) | (6,417) |
| Revenue recognised during the year which will not be invoiced until after the year end | 12,994 | 6,989 |
| **Balance at the end of the year** | **12,994** | **6,989** |

Revenue recognised in advance of invoicing £12,994,000 (31 December 2021: £6,989,000) is due to be invoiced in the year ending 31 December 2023.

**19 Trade and other receivables (continued)**

As at 31 December 2022, there was a loss allowance against trade receivables of £1,135,000 (31 December 2021: £861,000). See below for the movements in the loss allowance for trade receivables.

| | 31 December 2022 £ 000 | 31 December 2021 £ 000 |
|---|---|---|
| Loss allowance at start of the year | (861) | (651) |
| Effect of foreign exchange rate movements | (36) | 35 |
| Added on acquisition | - | (116) |
| Amounts written off as uncollectible | 77 | 111 |
| Release of loss allowance | 189 | 89 |
| Additional loss allowance | (504) | (329) |
| **Balance at the end of the year** | **(1,135)** | **(861)** |

Trade receivables disclosed above include amounts (see below for aged analysis) against which the Group has not fully recognised a loss allowance for receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

| **Age of trade receivables** | 31 December 2022 £ 000 | Group 31 December 2021 £ 000 |
|---|---|---|
| Neither past due nor impaired | 8,564 | 12,928 |
| 7 to 30 days | 45,162 | 41,234 |
| 31 to 60 days | 3,680 | 1,825 |
| 61 to 90 days | 1,592 | 1,001 |
| > 90 days | 2,718 | 1,540 |
| | 61,716 | 58,528 |

Past due receivables that are not impaired relate to customers for whom there is no recent history of default and for which there are no other indications that they will not be able to meet their obligations.

### 19 Trade and other receivables (continued)

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, contract assets and lease receivables. To measure the expected credit losses, receivables are 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. As at 31 December 2022 using the simplified approach, the Group has not recognised any impairment loss on contract assets (31 December 2021: £Nil)

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The default rate on receivables during the period is <1% (31 December 2021: <1%).

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

Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically.

The table below splits out the trade and other receivables balance by local currency:

| | 31 December 2022 Group £ 000 | 31 December 2021 Group £ 000 |
|---|---|---|
| UK pound | 29,812 | 31,529 |
| Euro | 11,850 | 9,404 |
| US dollars | 2,758 | 3,374 |
| Canadian dollars | 2,178 | 2,380 |
| Australian dollars | 3,577 | 2,311 |
| Singapore dollars | 6,039 | 2,415 |
| Norwegian Krone | 23,375 | 21,088 |
| Chinese Yuan Renminbi | 3,164 | 3,055 |
| Other currencies | 10,420 | 7,746 |
| | 93,173 | 83,302 |

### 19 Trade and other receivables (continued)

**Factoring arrangement:**

In September 2022, The Group entered into an international factoring arrangement (ABL). Under the terms of the agreement, the Group committed certain of its companies, to a non-recourse revolving receivables financing facility, under which the purchaser purchases all the eligible receivables of the Seller (Group Companies), on an ongoing basis.

Under IFRS 9, all eligible receivables upon approval from the purchaser will be de-recognised from the Group's balance sheet as the Seller has substantially transferred its control, all risks, and rewards to the purchaser under the arrangement. The purchaser will retain 10% as retention and the amount shall never be lower than 10%. Additionally, the purchaser finances each seller in the currency of the transferred receivables to avoid any foreign currency exposure for the Group. Therefore, the carrying amounts of the trade receivables on the Statement of Financial Position excludes those receivables which are subject to the factoring arrangement. During the period, the Group sold £13,100,000 of trade receivables under the arrangement.

## 20 Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 31 December 2022 £ 000 | 31 December 2021 £ 000 | 31 December 2022 £ 000 | 31 December 2021 £ 000 |
| Cash at bank | 69,405 | 56,795 | 21 | 21 |
| Bank overdrafts | (13,533) | (7,260) | - | - |
| Cash and cash equivalents in statement of cash flows | 55,872 | 49,535 | 21 | 21 |

*Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for* varying period of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

## 21 Share-based payments

**Share-based payment transactions**

| Group | 2022 £ 000 | 2021 £ 000 |
|---|---|---|
| Arising from equity settled share-based payment transactions | - | - |

| Company | 2022 £ 000 | 2021 £ 000 |
|---|---|---|
| Arising from equity settled share-based payment transactions | - | - |

### 21 Share-based payments (continued)

The Ultimate Parent Undertaking issued B and C Ordinary Shares to certain of the Group's employees as a staff incentive arrangement. A total of 1,338,954 (31 December 2021:1,613,995) B Ordinary Shares and 334,571 (31 December 2021: 403,501) C Ordinary Shares were outstanding at 31 December 2022. The B and C Ordinary Shares have been accounted for as an equity-settled share-based payment and therefore have no impact on the balance sheet position.

The shares are subject to a service condition, whereby if an employee is a bad leaver (including resignation or dismissal) prior to an exit event, their B Ordinary Shares and C Ordinary Shares can be repurchased at the lower of issue price and fair value. The C Ordinary Shares are also subject to an EBITDA performance condition (a non-market based performance condition).

On an exit event, the B and C Ordinary Shares are only entitled to a return of capital once the equity value of the Group exceeds the value of the preference shares (plus accrued coupon). The B and C Ordinary Shares are also subject to further ratchets above which they can participate in a greater share of any value creation.

During the year, B shares totalling 151,573 and C shares totalling 37,894 were issued from the employee trust for total consideration of £150,000 which was determined to be not less than the estimated grant date fair value of the B and C Ordinary Shares. As such no IFRS 2 expense has been recognised in relation to the B and C Ordinary Shares in the current year. 419,758 B shares (31 December 2021: Nil) and 104,939 C shares (31 December 2021: Nil) were repurchased by the employee trust during the year to leavers from the scheme.

The acquisition price for the B and C Ordinary Shares was funded partly in cash, with employees able to elect for up to 70% of the acquisition price to be initially funded by a full-recourse interest bearing loan.

The fair value of the shares at the date of grant has been calculated using a Monte Carlo option pricing model. This model is considered to be appropriate for the valuation of an award subject to a ratchet (market-based performance condition).

## 22 Share capital

**Authorised, allotted, called up and fully paid shares**

| | No. 000 | 31 December 2022 £ 000 | No. 000 | 31 December 2021 £ 000 |
|---|---|---|---|---|
| Ordinary shares of £1 each | 928 | 928 | 928 | 928 |

The ordinary shares are non-redeemable but shall hold full rights in respect of voting, and shall entitle the holder to full participation in respect of equity and in the event of a winding up of the Company. The shares may be considered by the Directors when considering dividends from time to time.

## 23 Leases

**Group**

For details of Right of Use Assets, see Note 17. The details of lease liabilities are set out below.

**Lease liabilities maturity analysis**

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

| | 31 December 2022 £ 000 | 31 December 2021 £ 000 |
|---|---|---|
| Within one year | 7,996 | 7,860 |
| Later than one year and not later than five years | 17,308 | 18,212 |
| Later than five years | 9,910 | 10,556 |
| Total lease liabilities | 35,214 | 36,628 |

**23 Leases (continued)**

**Total cash outflows related to leases**

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

| Payment | 31 December 2022 £ 000 | 31 December 2021 £ 000 |
|---|---|---|
| Payment of capital element of lease liabilities | 10,120 | 11,064 |
| Interest | 1,941 | 2,720 |
| Low value leases | 21 | 11 |
| Short term leases | 554 | 210 |
| Termination payments | 4 | 4 |
| Total cash outflow | 12,640 | 14,009 |

The Group is potentially exposed to future cash outflows of £30,000 (31 December 2021: £Nil) relating to extension options on leases for which exercise is not deemed to be reasonably certain. These have not been included in the lease liability. There are no other significant potential cash outflows relating to leases. Amounts recognised in the Consolidated Income Statement are set out in note 9 and 11.

**Leases as lessor**

The Group rents out liferafts as operating leases. These leases have terms of between one and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis accounting to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at this periods end are as follows:

| | 31 December 2022 £ 000 | 31 December 2021 £ 000 |
|---|---|---|
| No later than 1 year | 19,919 | 16,490 |
| Later than 1 year and no later than 5 years | 26,873 | 29,079 |
| Later than 5 years | 14 | 1,686 |
| | 46,806 | 47,255 |

**24 Finance lease receivable**

**Lease receivables maturity analysis**

| | 31 December 2022 £ 000 | 31 December 2021 £ 000 |
|---|---|---|
| **Amounts falling due over one year:** | | |
| Finance lease - gross receivable | 55 | 76 |
| **Amounts falling due within one year:** | | |
| Finance lease - gross receivable | 120 | 248 |
| | 175 | 324 |

Finance leases receivable within one year are included within other receivables, note 19.

## Survitec Acquisition Company Limited

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 25 Loans and borrowings

| | Group 31 December 2022 £ 000 | 31 December 2021 £ 000 | Company 31 December 2022 £ 000 | 31 December 2021 £ 000 |
|---|---|---|---|---|
| **Non-current loans and borrowings** | | | | |
| Bank borrowings | - | 260,796 | - | - |

| | Group 31 December 2022 £ 000 | 31 December 2021 £ 000 | Company 31 December 2022 £ 000 | 31 December 2021 £ 000 |
|---|---|---|---|---|
| **Current loans and borrowings** | | | | |
| Bank borrowings | 302,551 | - | - | - |
| Bank overdrafts | 13,533 | 7,260 | - | - |
| Other loans | 28,229 | - | - | - |
| | 344,313 | 7,260 | - | - |

**Analysis of loans and borrowings by currency:**

**Group**

| | Sterling £ 000 | Euro £ 000 | Other £ 000 | Total £ 000 |
|---|---|---|---|---|
| **31 December 2022** | | | | |
| Bank overdrafts | 13,157 | - | 376 | 13,533 |
| Bank borrowings | 301,765 | - | 786 | 302,551 |
| Other loans | 28,229 | - | - | 28,229 |
| | 343,151 | - | 1,162 | 344,313 |

| | Sterling £ 000 | Euro £ 000 | Other £ 000 | Total £ 000 |
|---|---|---|---|---|
| **31 December 2021** | | | | |
| Bank overdrafts | 7,260 | - | - | 7,260 |
| Bank borrowings | 259,722 | - | 1,074 | 260,796 |
| | 266,982 | - | 1,074 | 268,056 |

### 25 *Loans and borrowings (continued)*

The other principal features of the Group's borrowing after deduction of unamortised finance costs are as follows:

| | Group 31 December 2022 £ 000 | Group 31 December 2021 £ 000 | Company 31 December 2022 £ 000 | Company 31 December 2021 £ 000 |
|---|---|---|---|---|
| Unitranche Loans at 7.75% plus SONIA | 264,766 | 259,722 | - | - |
| *Revolving credit facility at 3.25% plus* SONIA | 37,000 | - | - | - |
| External convertible loan at 10% | 28,229 | - | - | - |
| Japanese Yen Loans at 1.5% | 250 | 257 | - | - |
| Other currency loans at 7% | 535 | 532 | - | - |
| USD Government interest free loans | - | 285 | - | - |
| Bank overdrafts | 13,533 | 7,260 | - | - |
| | 344,313 | 268,056 | - | - |
| | 344,313 | 268,056 | - | - |

Bank overdrafts are repayable on demand and for the Revolving credit facilities ("RCF's"), £12,500,000 is due for repayment August 2023 and £24,500,000 is due for repayment April 2026. Interest is payable semi-annually on the Unitranche and quarterly on the RCF's. The Unitranche loans are secured by fixed and floating charges over the Group's major assets and are subject to quarterly covenant calculations based on EBITDA, net leverage and liquidity. The Unitranche loans will be repayable in full in 2027.

As noted in note 2 The Group experienced significant liquidity and covenant challenges during the financial period. Total external loans and borrowings increased from £268,056,000 at 31 December 2021 to £344,313,000 at 31 December 2022 reflecting drawdowns of the Group's RCF facilities in the year and the drawdown of new shareholder convertible loan notes totalling £30,600,000. As a result during June 2023, the Group successfully negotiated a reset of the financial covenants under the Group's external loan and RCF. The Amendment and Restatement Agreement was signed in June 2023, Under the provisional compliance of the existing SFA, the *Unitranche loan has been classified as current at the balance sheet date. However no early repayments were* demanded due to on-going negotiations at the balance sheet date. Under the terms of the Revised Amendment Agreement, the Unitranche loan will still be repayable in full in 2027, therefore as at the date of signing the financial statements, the debt would be treated as long-term following the execution of the Amended Agreement. Additionally, the Group also negotiated a new interest Payment-in-Kind ("PIK") tranche under the Unitranche Facility totalling £50,000,000. The new tranche comprises i) £27m of the drawn Unitranche Facility Commitments to be swapped on a £-for-£ basis; ii) £10m outstanding accrued interest in respect of the Unitranche Facility to be capitalised; and iii) £13m cash pay interest due August 2023 in respect of the Unitranche Facility to be capitalised. The amounts under this new tranche are excluded from the revised leverage covenant calculation.

**25 Loans and borrowings (continued)**

As at the balance sheet date, the external convertible loans were due for repayment in December 2023 and accrued interest at 10%. The interest was calculated on an EIR basis including transaction costs. No amounts were paid prior to the termination date. The loans will subsequently be converted into equity in July 2023 in the ultimate parent company, Ark Topco Limited. Upon conversion, all obligations of the issuer, Ocean Newco 2 Limited, have been extinguished.

On 21 December 2022, the Group entered into a series of transaction steps to obtain additional financing. These steps were implemented to enhance the liquidity of the Group and create additional headroom with respect to the financial covenants under the senior debt financing of the Group. A new company, Ocean Newco 1 Limited was established by existing shareholders of the Group who subscribed for new equity of £30,600,000 out of a possible £50,600,000 in Ocean Newco 1 Limited. At the same time, another new company, Ocean Newco 2 Limited was incorporated by Survitec Group Limited as a wholly owned subsidiary for £100 share capital. Both companies were incorporated in Jersey and operate under Jersey law.

Ocean Newco 1 Limited used the proceeds received from existing shareholders to subscribe for a Convertible Loan Note issued at par value by Ocean Newco 2 Limited, which have a term of 364 days. Ocean Newco 2 Limited made a dividend distribution loan to its parent, Survitec Group Limited. Under the terms of the Convertible Loan Note agreement, Ocean Newco 2 Limited shall be obligated to repay to Ocean Newco 1 Limited the Principle Face Value plus any accrued interest and capital on the Notes on the termination date. Upon conversion (June 2023), all obligations of Ocean Newco 2 Limited are extinguished, and the issuance of equity in Ark Topco Limited shall be the obligation of Ark Topco Limited. If the conversion does not happen, Survitec Group Limited shall be obligated to provide Ocean Newco 2 Limited with a cash contribution or to force its subsidiary to give away its life-raft assets in order to repay Ocean Newco 1 Limited.

The remaining £20,000,000 of the £50,000,000 issued remains unsubscribed as at the year end.

The fair value of total borrowings of the Group is not considered to be different to the carrying value.

**25 Loans and borrowings (continued)**

**Reconciliation of movements of liabilities to cash flows arising from financing activities**

| Group | Bank Overdrafts £'000 | Other loans and borrowings £'000 | Lease liability £'000 | Accrued interest £'000 | Total £'000 |
|---|---|---|---|---|---|
| Balance at 1 January 2022 | (7,260) | (260,796) | (36,628) | (1,438) | (306,122) |
| Interest Capitalised | - | (3,395) | - | 3,395 | - |
| Capitalisation of transaction costs | - | 1,769 | - | - | 1,769 |
| Amortisation of transaction costs | - | (1,648) | - | 1,648 | - |
| New leases | - | - | (6,859) | - | (6,859) |
| Lease payments | - | - | 10,120 | - | 10,120 |
| Leases disposed of | - | - | 1,933 | - | 1,933 |
| Drawdown of loans and borrowings | - | (67,000) | - | - | (67,000) |
| Amounts repaid | - | 372 | - | 14,811 | 15,183 |
| Effects of changes in foreign exchange rates | (21) | (36) | (1,839) | - | (1,896) |
| Change in bank overdraft | (6,252) | - | - | - | (6,252) |
| Interest charges | - | (46) | (1,941) | (30,751) | (32,738) |
| **Balance as at 31 December 2022** | **(13,533)** | **(330,780)** | **(35,214)** | **(12,335)** | **(391,862)** |

## Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

### 25 Loans and borrowings (continued)

| Group | Bank Overdrafts £'000 | Other loans and borrowings £'000 | Lease liability £'000 | Accrued interest £'000 | Total £'000 |
|---|---|---|---|---|---|
| Balance at 1 January 2021 | (12,974) | (534,652) | (32,513) | (1,575) | (581,714) |
| Loans waived | - | 2,165 | - | - | 2,165 |
| Loans acquired | - | (1,408) | - | - | (1,408) |
| Interest capitalised | - | (2,231) | - | 2,231 | - |
| Capitalisation of transaction costs | - | 11,359 | - | - | 11,359 |
| Amortisation of transaction costs | - | (1,081) | - | 1,081 | - |
| Loans capitalised | - | 405,297 | - | - | 405,297 |
| New leases | - | - | (9,609) | - | (9,609) |
| Leases acquired | - | - | (4,027) | - | (4,027) |
| Leases disposed of | - | - | 331 | - | 331 |
| Lease payments | - | - | 11,064 | - | 11,064 |
| Drawdown of loans and borrowings | - | (270,934) | - | - | (270,934) |
| Repayments of loans and borrowings | - | 146,655 | - | - | 146,655 |
| Interest paid | - | - | - | 15,615 | 15,615 |
| Effect of changes in foreign exchange rates | 7 | 7,362 | 826 | - | 8,195 |
| Change in bank overdrafts | 5,707 | - | - | - | 5,707 |
| Interest charges | - | (23,328) | (2,700) | (18,790) | (44,818) |
| **Balance as at 31 December 2021** | **(7,260)** | **(260,796)** | **(36,628)** | **(1,438)** | **(306,122)** |

## 26 Retirement benefit schemes

Defined contribution schemes

In the UK the Group operates defined contribution schemes in respect of certain employees. The charge against profit is the amount of contributions payable to the pension scheme during the period.

In the USA, the Group operates defined contribution plans with optional funding opportunities provided by a designated company for all eligible full time employees.

In Australia, the Group operates a defined contribution scheme in accordance with statutory requirements and local customs and practice.

The total pension charge during the period for the Group's defined contribution plans amounts to £3,890,000 (31 December 2021: £4,346,000) The Group also contributed £206,000 to personal pension plans during the period (31 December 2021: £442,000).

Defined benefit schemes

| | 31 December 2022 | | | 31 December 2021 | | |
|---|---|---|---|---|---|---|
| | Funded £ 000 | Unfunded £ 000 | Total £ 000 | Funded £ 000 | Unfunded £ 000 | Total £ 000 |
| Net employee defined benefit liability (before deferred tax) | 687 | 4,413 | 5,100 | 1,400 | 5,590 | 6,990 |

| | 31 December 2022 | | | 31 December 2021 | | |
|---|---|---|---|---|---|---|
| | Funded £ 000 | Unfunded £ 000 | Total £ 000 | Funded £ 000 | Unfunded £ 000 | Total £ 000 |
| Fair value of scheme assets | 49,124 | 2,277 | 51,401 | 74,942 | 2,813 | 77,755 |

In Germany the Group operates an unfunded defined benefit plan, which in accordance with local customs and practice is financed through book reserves. The obligations held at 31 December 2022 amounts to £4,090,000 (31 December 2021: £5,202,000).

### 26 Retirement benefit schemes (continued)

The fair value of the plan assets is therefore the present value of these accrued pension rights assessed using the discount rate at the statement of financial position date. In addition to allowing for cash flows, the asset value has therefore also been adjusted for the change in discount rates. The value of accruing benefits over the period plus interest on past benefits passes through the income statement, offset by expected return on the plan assets. The re-measurement of plan liabilities (and also that of the plan assets) passes through other comprehensive income.

In the UK, the Group operates a defined benefit pension scheme, which provide benefits in the form of a guaranteed level of pension payable to the members. Rates of contributions are determined by the trustees in accordance with the recommendation of independent actuaries using the projected unit method. Actuarial valuations are prepared every three periods. The most recent formal actuarial valuation was carried out as at 31 March 2021 by a qualified Actuary. The present value of the defined benefit obligation, the related current service cost and past service cost was measured using the projected unit method.

While the UK scheme is in a net surplus position, the Group does not recognise the surplus but recognises an additional liability due to minimum funding requirements. As at 31 December 2022, the minimum funding liability amounted to £687,000 (31 December 2021: £1,400,039).

### 26 Retirement benefit schemes (continued)

The key assumptions used are as follows:

| | 31 December 2022 | | | |
|---|---|---|---|---|
| | **UK** | **Germany** | **Norway** | **Netherlands** |
| Rate of increase in salaries | N/A | 3.00% | 3.75% | 2.00% |
| Rate of pension increases | 3.60% | 2.20% | 1.70% | N/A |
| Discount rate | 4.65% | 4.10% | 3.60% | 4.20% |
| Inflation assumption | 3.10% | 2.20% | 2.00% | 2.00% |

| | 31 December 2021 | | | |
|---|---|---|---|---|
| | **UK** | **Germany** | **Norway** | **Netherlands** |
| Rate of increase in salaries | N/A | 2.50% | 2.70% | 2.00% |
| Rate of pension increases | 3.65% | 1.80% | 0.10% | N/A |
| Discount rate | 1.95% | 1.20% | 2.10% | 1.50% |
| Inflation assumption | 3.30% | 1.80% | 1.50% | 1.80% |

**26 Retirement benefit schemes (continued)**

Mortality assumptions

Investigations have been carried out within the past three periods into the mortality experience of the Group's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. On retirement:

| | 31 December 2022 | | | |
|---|---|---|---|---|
| **Years** | **UK** | **Germany** | **Norway** | **Netherlands** |
| Retiring today: | | | | |
| Males | 20.9 | 20.6 | 22.6 | 21.5 |
| Females | 23.3 | 24.0 | 25.9 | 24.3 |
| Retiring in 25 years: | | | | |
| Males | 22.6 | 24.0 | 24.8 | 24.1 |
| Females | 25.1 | 26.8 | 28.4 | 26.7 |

**26 Retirement benefit schemes (continued)**

| | 31 December 2021 | | | |
|---|---|---|---|---|
| **Years** | **UK** | **Germany** | **Norway** | **Netherlands** |
| Retiring today: | | | | |
| Males | 20.8 | 20.5 | 22.6 | 21.3 |
| Females | 23.3 | 23.9 | 25.9 | 24.0 |
| Retiring in 25 periods: | | | | |
| Males | 22.5 | 23.9 | 24.8 | 23.7 |
| Females | 25.1 | 26.7 | 28.4 | 26.2 |

The amount included in the balance sheet arising from the Group's Obligations in respect of its defined benefit retirement scheme is as follows:

| | Year ended 31 December 2022 £ 000 | Year ended 31 December 2021 £ 000 |
|---|---|---|
| Equities | - | 625 |
| Bonds | 47,659 | 72,130 |
| Other | 3,742 | 5,000 |
| **Fair value of scheme assets** | 51,401 | 77,755 |
| Present value of defined benefit obligations | (44,582) | (65,432) |
| **Surplus in the scheme** | 6,819 | 12,323 |
| Surplus in the UK scheme not recognised | (11,232) | (17,913) |
| Additional liability recognised due to minimum funding requirements | (687) | (1,400) |
| **Net pension liability in the balance sheet** | (5,100) | (6,990) |

As the Group does not control the use of the UK pension scheme asset it has not been recognised in these financial statements.

As at 31 December 2022, 95% of the total scheme assets have a quoted market price (31 December 2021: 96%), consisting of equities and bonds, including Liability Driven Instruments.

**26 Retirement benefit schemes (continued)**

Analysis of the amount charged to loss before tax

| | Year ended 31 December 2022 £ 000 | Year ended 31 December 2021 £ 000 |
|---|---|---|
| Net interest cost | 94 | 77 |
| Service cost | 43 | 97 |

Analysis of amount recognised in statement of other comprehensive income

| | Year ended 31 December 2022 £ 000 | Year ended 31 December 2021 £ 000 |
|---|---|---|
| Actuarial loss on scheme assets | (25,836) | (14) |
| Changes in assumptions underlying the present value of the scheme liabilities | 19,518 | 6,231 |
| **Actuarial (loss)/ gain** | (6,318) | 6,217 |
| Actuarial gain/ (loss) not recognised in respect of UK pension scheme | 7,770 | (5,794) |
| Deferred tax through OCI | 326 | - |
| **Net actuarial gain** | 1,126 | 423 |
| **Exchange gain/ (loss)** | 242 | (415) |

**26 Retirement benefit schemes (continued)**

Movements in the fair value of scheme assets during the period

| | Year ended 31 December 2022 £ 000 | Year ended 31 December 2021 £ 000 |
|---|---|---|
| At start of the period | 77,755 | 82,036 |
| Interest income | 1,487 | 1,109 |
| Actuarial losses on scheme assets | (25,836) | (14) |
| Contributions from the sponsoring companies | 814 | 1,345 |
| Benefits paid | (2,890) | (6,572) |
| Exchange rate movements | 71 | (149) |
| **At end of the period** | 51,401 | 77,755 |

Movements in the present value of defined benefit obligations during the period

| | Year ended 31 December 2022 £ 000 | Year ended 31 December 2021 £ 000 |
|---|---|---|
| At start of the period | 65,432 | 78,212 |
| Service cost | 43 | 97 |
| Interest expense | 1,202 | 1,000 |
| Actuarial losses on scheme liabilities | (19,518) | (6,741) |
| Benefits paid | (2,890) | (6,572) |
| Exchange rate movements | 313 | (564) |
| **At end of the period** | 44,582 | 65,432 |

## 26 Retirement benefit schemes (continued)

Expected maturity analysis of undiscounted pension benefits

| | Year ended 31 December 2022 £ 000 | Year ended 31 December 2021 £ 000 |
|---|---|---|
| Within the next 12 months (next annual reporting period) | 3,046 | 2,962 |
| Between 2 and 5 years | 12,045 | 11,683 |
| Between 5 and 10 years | 15,923 | 15,462 |
| **Total expected payments** | 31,014 | 30,107 |

The average duration of the defined benefit obligation at the end of the reporting period is 13.5 years (31 December 2021: 16.3 years).

The most recent finalised triennial valuation of the Group's UK pension scheme for funding purposes has been performed as at 31 March 2021. Under the funding schedule agreed with the scheme Trustees, the Group aims to eliminate the current deficit over a period of 3 years from 31 March 2021. A triennial valuation has not been completed during the year for the other schemes within the Group.

The defined benefit pension plans are exposed to a number of risks, mainly:

• The plan liabilities are calculated using a discount rate set with reference to corporate bond yield curves; if plan assets underperform this yield, this will create a deficit. Additionally, a decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' asset holdings;

• Some of the group's pension obligations are linked to inflation assumptions, and higher inflation will lead to higher liabilities; and

• The plans' obligations are to provide benefits for the life of the member, so increases in life - expectancy will result in an increase in the plans' liabilities.

**26 Retirement benefit schemes (continued)**

A quantitative sensitivity analysis for significant assumptions as at 31 December 2022 is as shown below:

Impact on gross defined benefit obligation

| | Change in assumption | Increase in assumption £ 000 | Decrease in assumption £ 000 |
|---|---|---|---|
| Discount rate | 0.25% | (1,482) | 1,555 |
| Inflation rate | 0.25% | (840) | 760 |
| | | **Decrease by 1 year in assumption** | |
| Life expectancy | | 2,426 | |

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

## 27 Provisions

**Group**

| | Warranties £ 000 | Dilapidations £ 000 | Employee benefits £ 000 | Other provisions £ 000 | Total £ 000 |
|---|---|---|---|---|---|
| At 1 January 2022 | 8,941 | 6,931 | 656 | 6,335 | 22,863 |
| Additional provisions | 589 | 430 | 64 | 117 | 1,200 |
| Provisions used | (1,375) | - | (61) | (5,454) | (6,890) |
| Unused provision released | (2,130) | (2,011) | (53) | (111) | (4,305) |
| Increase due to foreign exchange differences | 7 | 97 | 19 | 81 | 204 |
| At 31 December 2022 | 6,032 | 5,447 | 625 | 968 | 13,072 |
| Non-current liabilities | - | 2,967 | - | 382 | 3,349 |
| Current liabilities | 6,032 | 2,480 | 625 | 586 | 9,723 |

| | Warranties £ 000 | Dilapidations £ 000 | Employee benefits £ 000 | Other provisions £ 000 | Total £ 000 |
|---|---|---|---|---|---|
| At 1 January 2021 | 10,981 | 4,571 | 276 | 82 | 15,910 |
| Additional provisions | 200 | 3,209 | 417 | 1,417 | 5,243 |
| Increase through business combinations | 655 | 670 | - | 5,181 | 6,506 |
| Provisions used | (682) | (628) | (36) | (90) | (1,436) |
| Unused provision released | (2,206) | (840) | - | (224) | (3,270) |
| Decrease due to foreign exchange differences | (7) | (51) | (1) | (31) | (90) |
| At 31 December 2021 | 8,941 | 6,931 | 656 | 6,335 | 22,863 |
| Non-current liabilities | - | 4,095 | - | 843 | 4,938 |
| Current liabilities | 8,941 | 2,836 | 656 | 5,492 | 17,925 |

### 27 Provisions (continued)

Due to the nature of critical safety products manufactured by Survitec, the Group could be exposed to warranty claims from customers and other affected third parties. The provision is estimated based on known claims and on estimates based upon past experience, of possible future claims which could arise over the life of the products sold. Management have prepared a model with a range of potential outcomes using a number of different assumptions including the maximum number of product units that would potentially need to be replaced or repaired and the cost associated with this. These are regularly reviewed. As the warranty provision is a significant accounting estimate it is particularly sensitive to these movements. Sensitivity analysis of the key assumptions is shown below.

Impact of 10% movement in the no. of units replaced or repaired on the total provision amount:

| | | 2022 | | |
|---|---|---|---|---|
| | | **Impact on provision (replaced)** | | |
| | | **-10%** | **0%** | **+10%** |
| | | **£ 000** | **£ 000** | **£ 000** |
| **Impact on provision (repaired)** | **-10%** | (641) | (204) | 251 |
| | **0%** | (437) | - | - |
| | **+ 10%** | (251) | - | - |

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

Employee benefits include provisions in respect of long service awards and termination benefits.

'Other' includes provisions for legal costs, deferred consideration and restructuring provisions.

## 28 Financial instruments

| Group | Amortised cost £ 000 | FVTPL £ 000 | FVOCI £ 000 | Total £ 000 |
|---|---|---|---|---|
| **31 December 2022** | | | | |
| **Financial assets** | | | | |
| Current | | | | |
| Trade receivables | 61,716 | - | - | **61,716** |
| Contract assets | 12,994 | - | - | **12,994** |
| Other receivables | 10,860 | 334 | 2,467 | **13,661** |
| Cash and short-term deposits | 69,405 | - | - | **69,405** |
| **Total** | 154,975 | 334 | 2,467 | **157,776** |
| Non-current | | | | |
| Other receivables | 937 | - | - | **937** |
| **Total** | 937 | - | - | **937** |

## 28 Financial instruments (continued)

| Group | Amortised cost £ 000 | FVTPL £ 000 | FVOCI £ 000 | Total £ 000 |
|---|---|---|---|---|
| **31 December 2022** | | | | |
| **Financial liabilities** | | | | |
| Current | | | | |
| Current portion of lease liabilities | 7,996 | - | - | **7,996** |
| Trade and other payables | 103,643 | - | - | **103,643** |
| Contract liabilities | 17,606 | - | - | **17,606** |
| Loans and borrowings | 344,313 | - | - | **344,313** |
| **Total** | 473,558 | - | - | **473,558** |
| Non-current | | | | |
| Long term lease liabilities | 27,218 | - | - | **27,218** |
| **Total** | 27,218 | - | - | **27,218** |

**28 Financial instruments (continued)**

| Group | Amortised cost £ 000 | FVTPL £ 000 | Total £ 000 |
|---|---|---|---|
| **31 December 2021** | | | |
| **Financial assets** | | | |
| Current | | | |
| Trade receivables | 58,528 | - | 58,528 |
| Contract assets | 6,989 | - | 6,989 |
| Other receivables | 10,167 | 433 | 10,600 |
| Cash and short-term deposits | 56,795 | - | 56,795 |
| **Total** | 132,479 | 433 | 132,912 |
| Non-current | | | |
| Other receivables | 742 | - | 742 |
| **Total** | 742 | - | 742 |
| **Financial liabilities** | | | |
| Current | | | |
| Current portion of lease liabilities | 7,860 | - | 7,860 |
| Trade and other payables | 71,939 | - | 71,939 |
| Contract liabilities | 17,117 | - | 17,117 |
| Loans and borrowings | 7,260 | - | 7,260 |
| **Total** | 104,176 | - | 104,176 |

**28 Financial instruments (continued)**

| ***Group*** | ***Amortised cost*** **£ 000** | **FVTPL £ 000** | ***Total*** **£ 000** |
|---|---|---|---|
| **31 December 2021** | | | |
| Non-current | 28,768 | - | 28,768 |
| Long term lease liabilities | | | |
| Loans and borrowings | 260,796 | - | 260,796 |
| Other non-current liabilities | 4 | - | 4 |
| **Total** | 289,568 | - | 289,568 |

**28 Financial instruments (continued)**

| Company | Amortised cost £ 000 | Total £ 000 |
|---|---|---|
| **31 December 2022** | | |
| **Financial assets** | | |
| Current | | |
| Cash and short-term deposits | 21 | 21 |
| **Total** | 21 | 21 |
| **Financial liabilities** | | |
| Current | | |
| *Trade and other payables* | 79 | 79 |
| **Total** | 79 | 79 |

**28 Financial instruments (continued)**

| Company | Amortised cost £ 000 | Total £ 000 |
|---|---|---|
| **31 December 2021** | | |
| **Financial assets** | | |
| Current | | |
| Cash and short-term deposits | 21 | 21 |
| **Total** | 21 | 21 |
| **Financial liabilities** | | |
| Current | | |
| Trade and other payables | 79 | 79 |
| **Total** | 79 | 79 |

## 29 Trade and other payables

| | Group 31 December 2022 £ 000 | 31 December 2021 £ 000 | Company 31 December 2022 £ 000 | 31 December 2021 £ 000 |
|---|---|---|---|---|
| Trade payables | 37,470 | 27,119 | - | - |
| Accrued expenses | 41,812 | 33,922 | 33 | 33 |
| Social security and other taxes | 7,118 | 5,712 | - | - |
| Other payables | 24,361 | 10,898 | 46 | 46 |
| Deferred income | - | 2,070 | - | - |
| | 110,761 | 79,721 | 79 | 79 |

The Group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk review note.

Included within other payables of the Group is an amount of interest payable of £12,335,000 (31 December 2021: £1,438,000). The interest payable relates to PIK interest election by the Group.

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

| | 31 December 2022 £ 000 | 31 December 2021 £'000 |
|---|---|---|
| Contract liabilities recognised at start of the period | 17,117 | 10,689 |
| Revenue recognised that was included in contract liabilities at the beginning of the period | (17,117) | (10,689) |
| Amounts invoiced during the year which did not meet revenue recognition criteria during the year | 17,606 | 17,117 |
| **Balance at the end of the year** | **17,606** | **17,117** |

## 30 Commitments

### Capital commitments

The total amount contracted for in relation to property plant and equipment but not provided in the financial statements was £406,000 (31 December 2021: £402,000).

The total amount authorised in relation to property plant and equipment but not contracted for and not provided in the financial statements was £196,000 (31 December 2021: £68,000).

The total amount contracted for in relation to intangible fixed assets but not provided in the financial statements was £280,000 (31 December 2021: £Nil).

The total amount authorised in relation of intangible fixed assets but not contracted for and not provided in the financial statements was £197,000 (31 December 2021: £Nil).

## 31 Contingent liabilities

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

Throughout the Group, there are guarantees and performance bonds outstanding amounting to £12,279,000 (31 December 2021: £13,756,000).

Under the terms of the loan facility, the lenders have a fixed and floating charge over all the property or undertakings of the Company and it's subsidiaries who are registered as guarantors under the facility.

**32 Related party transactions**

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial period.

| **31 December 2022** | **Amounts owed from related parties** | **Loans issued** | **Interest receivable** | **Repayments** |
|---|---|---|---|---|
| ***Group*** | **£ 000** | **£ 000** | **£ 000** | **£ 000** |
| Key management personnel | 1,646 | 604 | 52 | (313) |

There were no related party transactions in the Company.

## 32 Related party transactions (continued)

| 31 December 2021 | Amounts owed from related parties | Loans issued | Interest (payable)/ receivable | Reversal of impairment in Amount due from Subsidiary Undertakings | Loan waived | Loan settled by way of debt to equity swap |
|---|---|---|---|---|---|---|
| ***Group*** | **£ 000** | **£ 000** | **£ 000** | **£ 000** | **£'000** | **£'000** |
| Parent undertakings | - | - | (23,328) | - | - | (397,725) |
| Key management personnel | 2,629 | 585 | 106 | - | - | - |
| ***Company*** | | | | | | |
| Immediate parent | - | - | (23,328) | - | - | (397,725) |
| Subsidiary undertakings | - | 1,977 | 24,633 | 292,555 | 67,414 | 405,297 |

## 32 Related party transactions (continued)

**Remuneration of key management personnel**

The remuneration of key management personnel of the Group and Company, is set out below in aggregate for any of the categories specified in IAS 24 Related Party Disclosures:

| | Year ended 31 December 2022 £ 000 | Year ended 31 December 2021 £ 000 |
|---|---|---|
| Short term employee benefits | 1,605 | 2,511 |
| Post employee benefits | 99 | 105 |
| | 1,704 | 2,616 |

The above includes payments made to key management upon their departure of £43,000 (31 December 2021: £Nil).

**Directors' transactions**

There were no advances, credits or guarantees with Directors or other key Management that are disclosable in accordance with section 413 of the 2006 Act and IAS 24 in the current or prior periods.

## 33 Parent and ultimate parent undertaking

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

These financial statements are the largest Group into which the Company's financial statements are consolidated.

## 34 Prior period adjustment

**Deferred tax asset recognition**

On 5 May 2021, the Group acquired the share capital of Hansen Protection AS and its subsidiaries ("Hansen Protection") for £107,631,000. At the date of acquisition, the net identifiable assets and liabilities of Hansen Protection totalled £63,870,000. This included a deferred tax liability balance of (£11,231,000). This deferred tax liability has arisen in Norway, and in the final consolidated 2021 accounts of the Survitec Group, has been recognised in full.

At the date of acquisition, Survitec's existing Norwegian group companies held significant unrecognised deferred tax assets. These historical tax assets have arisen as a result of accelerated capital allowances, short term timing differences and tax losses, including trading losses and restricted interest amounts.

Given the flexibility afforded to historical tax assets in Norway, it has now been determined that, at the date of acquisition, the historical deferred tax assets of Survitec's existing group companies should be recognised, insofar as possible, up to the value of deferred tax liabilities transferred upon completion of the Hansen Protection acquisition.

As a result, an additional £8,963,000 deferred tax asset has been recognised in the 2021 accounting period. This error has been corrected and prior period comparatives have been restated.

Further, in accordance with IAS12, deferred tax liabilities previously recognised as gross balances on consolidation, have now been restated to be shown net of deferred tax assets arising in jurisdiction. The affected jurisdictions are the UK and Norway only. The adjustment is reflected as a balance sheet reallocation in the table below. Refer to note 13 of these accounts for further details on this restatement. The restated disclosures are as follows:

| Group | As previously stated 31 December 2021 | Income Statement adjustment | Balance Sheet adjustment | As restated 31 December 2021 |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Effect on Profit/(loss) for the year | | (8,963) | | |
| Deferred tax asset (non-current) | 14,620 | 8,963 | (20,305) | 3,278 |
| Deferred tax liability (non-current) | (25,707) | | 20,305 | (5,402) |

### 35 Subsidiary companies audit exemption

Survitec Acquisition Company Limited has provided the following subsidiaries with a parental guarantee in accordance with section 479C of the Companies Act. As such, advantage has been taken by the audit exemption available for the following subsidiary companies conferred by section 479A of the Companies Act relating to the audit of individual financial statements:

| Subsidiary undertaking name | Registration number |
|---|---|
| Survitec Group Holdco Limited | 12382931 |
| Survitec AUD Newco Limited | 09491698 |
| Survitec Services and Distribution Limited | 00553893 |
| Survitec Safety Solutions UK Limited | 10338650 |
| Survival-One Limited | SC188500 |
| Survitec Survival Craft Ltd | SC131397 |
| Survitec Viscom Ltd | SC136955 |
| Survitec Global Solutions Limited | 08374445 |
| Battlefield Sim Limited | 07896409 |
| Blue Anchor Fire and Safety Limited | SC297185 |
| Survitec Group International Limited | 08375460 |

The directors acknowledge their responsibilities for:

a. Ensuring that each Company keeps adequate accounting records which comply with section 386 of the Companies Act 2006; and

b. Preparing financial statements which give a true and fair view of the state of the affairs of the Company at 31 December 2022 and of its profit or loss for the year then ended in accordance with the requirements of Section 394 of the Companies Act 2006, and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the Company.