

Company Registration No. 09002736 (England and Wales)

**SAFETY AND SURVIVAL SYSTEMS
INTERNATIONAL (HOLDINGS) LIMITED**

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017**

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SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

COMPANY INFORMATION

Directors	M T Biddulph A J Richards P G Fredericks N Howland
Company number	09002736
Registered office	Saxon Wharf Southampton Hampshire SO14 5QF
Auditor	RSM UK Audit LLP Chartered Accountants 25 Farringdon Street London United Kingdom EC4A 4AB

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present the strategic report for the year ended 31 December 2017.

Fair review of the business

The Company's principal activities is that of a holding company. The Group's principal activity is the manufacture, supply and servicing of marine safety and survival equipment. During the period under review, no acquisitions were made.

During the year under review, the group achieved a turnover of £29.3m (2016: £25.6m).

The Board conducts a monthly review of management information, financial reports and cash requirements of the business, to meet the requirements of the shareholders.

We consider our key financial indicators are those that communicate the financial performance and strength of the company as a whole. KPIs are reviewed monthly and relevant actions taken. Consolidated KPIs include turnover £29.3m (2016: £25.6m), margin 35.4% (2016: 36.8%), cash used in working capital £0.84m (2016: cash generated from working capital £1.m), operational cash flow outflow of £0.34m (2016: £0.97m), bank debt £8.6m (2016: £8.5m) and bank covenant adherence. Turnover grew significantly on the prior year by 14% and gross profit was up 10%. At the year end current assets covered current liabilities 1.6 times (2016: 1.5 times).

During the year the Group was successful in securing US coast guard certification to sell life rafts to a significantly greater market than previously, in particular in the USA.

The directors are satisfied with the results for the period and expect the group to be profitable (before depreciation, amortisation and exceptional costs) for the foreseeable future.

In November 2017 all Loan Note holders agreed to forgive their interest accumulated but not paid up to that point. The result was an improvement to the Group Net Assets of £7,573k. This has been treated as a capital contribution and therefore shown in the Statement of Comprehensive Income.

Principal risk and uncertainties

The market for marine safety equipment remains competitive. The Group seeks to manage the risk by a balanced portfolio of products, added value services to customers, improving response time in the supply and servicing of products and the handling of customer queries.

The Group buys a proportion of its materials and sells some finished product in currencies other than sterling, mainly US dollars and Euros. The structure of the Group is such that natural hedging affords a degree of protection against the devaluation of sterling. Revere is based in the US, excess US dollars accumulated can be used by UK businesses to meet liabilities arising from Far East supply. Typhoon International Limited earns excess Euros, excess Euros can be used by Ocean Safety Limited to meet liabilities arising from European suppliers. In addition to natural Group hedging, and to limit risk, forward contracts are taken out for both US dollars and Euros based on rolling forecasts to manage risk.

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

Financial Instruments

The Group monitors cash flow as part of its day to day control procedures. The Board considers cash flow projections on a weekly and monthly basis as necessary and ensures that appropriate facilities are available to the company.

The Group's credit risk is primarily attributable to its trade debtors. Credit risk is managed by credit insurance in some areas, running credit checks on new and existing customers and by monitoring payments against contractual agreements.

The Group earns approximately 50% of its revenue outside the UK, some of which is sold in sterling as opposed to Euros or US dollars. Sales in US dollars are currently approximately 15% of the total. Therefore, within the group there are opportunities for natural hedging.

Products and components purchased from Asia in US dollars or from Europe in Euros became more expensive during the year and the Group was forced to pass these cost increases onto the customers. Sourcing and purchasing across the group are 65% in sterling, 10% in Euro and 25% in US dollars. Therefore, the total exposure is limited to 1/3 of the sourcing. To further mitigate the foreign currency risk the Group hedges these two currencies.

Employees and Future Developments

The directors believe that the current staff resources, coupled with the planned additions, are appropriate to manage the business requirements given the level of turnover anticipated in the coming year.

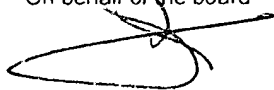
Bank covenants

The Group's borrowings with HSBC require compliance with a number of covenants including profit, cash and gearing based tests. As at the balance sheet date the Group was compliant with all these tests. After the year end the Group has renegotiated its borrowing facilities with the HSBC. The repayment terms of the term loan remain unchanged, however the covenant tests have been reset to provide more flexibility for the group. Also, the £1m revolving credit facility has been replaced by a £3m invoice finance facility which not only gives more liquidity to the Group but aligns more closely with the working capital cycle that the Group experiences.

Research and Development

During the period, the company continued to be involved in the development and design of marine safety equipment and related products.

On behalf of the board



P G Fredericks

Director

23/08/19

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and financial statements for the year ended 31 December 2017.

Principal activities

The principal activity of the company continued to be that of a holding company. The principal activity of the group continued to be that of the manufacture, supply and servicing of marine safety and survival equipment.

Directors

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

M T Biddulph	
T G Bouzac	(Resigned 15 August 2017)
C J Lewis	(Resigned 11 September 2017)
A J Richards	(Appointed 22 May 2017)
P G Fredericks	(Appointed 11 September 2017)
N Howland	(Appointed 1 January 2018)

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend the payment of a dividend.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Auditor

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Strategic report

In accordance with section 414c (11) of the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013, the group has prepared a Strategic Report, which includes information that would have previously been included within the Directors Report.

**SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS)
LIMITED**

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



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P G Fredericks

Director

23/08/18

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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. They are also 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

Opinion

We have audited the financial statements of Safety and Survival Systems International (Holdings) Limited (the 'parent company') and its subsidiaries for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement Of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

RSM UK Audit LLP

Jeremy Filley (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
United Kingdom

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**SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS)
LIMITED**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
Turnover	3	29,294,360	25,613,265
Cost of sales		(18,918,385)	(16,192,534)
Gross profit		10,375,975	9,420,731
Distribution costs		(276,635)	(117,434)
Administrative expenses		(11,727,899)	(14,239,125)
Exceptional items	4	(187,704)	(297,806)
Total administrative expenses		(12,192,238)	(14,654,365)
Other operating income		1,472	4,640
Operating loss before exceptional items		(1,627,087)	(4,931,188)
Exceptional items		(187,704)	(297,806)
Operating loss	5	(1,814,791)	(5,228,994)
Interest receivable and similar income	9	-	75
Interest payable and similar expenses	10	(3,166,969)	(3,025,246)
Loss on ordinary activities before taxation		(4,981,760)	(8,254,165)
Taxation - non exceptional		216,420	666,977
Taxation - exceptional		(16,045)	(102,795)
Total tax	11	200,375	564,182
Loss for the financial year	29	(4,781,385)	(7,689,983)
Other comprehensive income net of taxation			
Currency translation differences		(283,592)	521,618
Total comprehensive income for the year		(5,064,977)	(7,168,365)

Loss for the financial year and total comprehensive income for the year is all attributable to the owners of the parent company.

Management EBITDA	12	1,025,972	1,004,837
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SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Goodwill	14	3,119,269		4,565,881	
Other intangible assets	14	6,640,917		7,231,569	
Total intangible assets		9,760,186		11,797,450	
Tangible assets	15	2,051,577		1,742,083	
		11,811,763		13,539,533	
Current assets					
Stocks	18	5,916,022	4,787,495		
Debtors	19	4,940,071	4,759,225		
Cash at bank and in hand		1,306,371	742,157		
		12,162,464	10,288,877		
Creditors: amounts falling due within one year	20	(7,804,669)	(7,045,229)		
Net current assets		4,357,795		3,243,648	
Total assets less current liabilities		16,169,558		16,783,181	
Creditors: amounts falling due after more than one year	21	(25,321,601)		(28,404,429)	
Provisions for liabilities	25	(1,206,171)		(1,244,680)	
Net liabilities		(10,358,214)		(12,865,928)	
Capital and reserves					
Called up share capital	28	261,300		261,300	
Share premium account	29	722,700		722,700	
Revaluation reserve	29	120		120	
Capital contribution reserve	29	7,572,691		-	
Profit and loss reserves	29	(18,915,025)		(13,850,048)	
Total equity attributable to owners of the parent company		(10,358,214)		(12,865,928)	

The financial statements were approved by the board of directors and authorised for issue on 22/8/18 and are signed on its behalf by:

P G Fredericks
Director

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Investments	16		1		1
Current assets					
Debtors	19	1,143,736		1,157,271	
Creditors: amounts falling due within one year	20	(127,509)		(84,638)	
Net current assets			1,016,227		1,072,633
Total assets less current liabilities			1,016,228		1,072,634
Capital and reserves					
Called up share capital	28		261,300		261,300
Share premium account	29		722,700		722,700
Profit and loss reserves	29		32,228		88,634
Total equity			1,016,228		1,072,634

The loss for the financial year dealt with in the financial statements of the parent company was (£56,406) (2016 - profit £215,699).

The financial statements were approved by the board of directors and authorised for issue on 22/8/18 and are signed on its behalf by:

P G Fredericks
Director

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £	Share premium account £	Revaluation reserve £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 January 2016	261,300	722,700	120	-	(6,681,683)	(5,697,563)
Year ended 31 December 2016:						
Loss and total comprehensive income for the year	-	-	-	-	(7,689,983)	(7,689,983)
Currency translation differences on overseas subsidiaries	-	-	-	-	521,618	521,618
Balance at 31 December 2016	261,300	722,700	120	-	(13,850,048)	(12,865,928)
Year ended 31 December 2017:						
Loss and total comprehensive income for the year	-	-	-	-	(4,781,385)	(4,781,385)
Currency translation differences on overseas subsidiaries	-	-	-	-	(283,592)	(283,592)
Transactions with owners recognised directly in equity:						
Capital contribution	-	-	-	7,572,691	-	7,572,691
Balance at 31 December 2017	261,300	722,700	120	7,572,691	(18,915,025)	(10,358,214)

**SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS)
LIMITED**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2016	261,300	722,700	(127,065)	856,935
Year ended 31 December 2016:				
Profit and total comprehensive income for the year	-	-	215,699	215,699
Balance at 31 December 2016	261,300	722,700	88,634	1,072,634
Year ended 31 December 2017:				
Loss and total comprehensive income for the year	-	-	(56,406)	(56,406)
Balance at 31 December 2017	261,300	722,700	32,228	1,016,228

**SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS)
LIMITED**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	35		(341,595)		970,139
Interest paid			(496,121)		(624,185)
Income taxes paid			(16,045)		(2,466)
Net cash (outflow)/inflow from operating activities			(853,761)		343,488
Investing activities					
Purchase of intangible assets		(147,355)		(122,641)	
Purchase of tangible fixed assets		(294,015)		(417,348)	
Proceeds on disposal of tangible fixed assets		22,756		17,512	
Interest received		-		75	
Net cash used in investing activities			(418,614)		(522,402)
Financing activities					
Proceeds from borrowings		2,000,000		1,400,000	
Proceeds of new bank loans		1,000,000		300,000	
Repayment of bank loans		(1,086,250)		(2,660,000)	
Payment of finance leases obligations		(65,796)		-	
Net cash generated from/(used in) financing activities			1,847,954		(960,000)
Net increase/(decrease) in cash and cash equivalents			575,579		(1,138,914)
Cash and cash equivalents at beginning of year			742,157		1,442,461
Effect of foreign exchange rates			(11,365)		438,610
Cash and cash equivalents at end of year			1,306,371		742,157

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

Company information

Safety and Survival Systems International (Holdings) Limited ("the company") is a private company limited by shares, and is registered, domiciled and incorporated in England and Wales. The registered office is Saxon Wharf, Southampton, Hampshire, SO14 5QF.

The group consists of Safety and Survival Systems International (Holdings) Limited and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements;

- Section 4 'Statement of Financial Position' - Reconciliation of opening and closing number of shares
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
- Section 33 'Related Party Disclosures' - Compensation for key management personnel.

As permitted by s408 Companies Act 2006, the Company has not presented its own statement of comprehensive income as it prepares group accounts and the company's individual statement of financial position shows the company's profit or loss for the financial year.

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (Continued)

Basis of consolidation

The consolidated financial statements incorporate those of Safety and Survival Systems International (Holdings) Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2017. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The directors have prepared forecasts to assess this position and in conjunction with these forecasts have negotiated extended banking facilities both in terms of liquidity and also looser covenants to allow the group to continue to grow with what it believes is adequate headroom.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Servicing income is recognised at the point at which the work is carried out. The Group recognises hire income on a pro rata basis spread over the term of the agreement.

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (Continued)

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is between 5 and 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	3 years
Patents	3 years
Customer contracts	5 - 10 years
Brand names	20 years
Development costs	5 years

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings leasehold	2% and 10% - 20% straight line respectively
Plant and machinery	10% - 33% straight line
Fixtures, fittings and equipment	10% - 20% straight line
Computer equipment	10% - 33% straight line
Motor vehicles	20% - 25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (Continued)

Fixed asset investments

In the separate accounts of the company, interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. 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.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Work in progress is valued on basis of direct costs and attributable direct labour. Transport and duty costs are included in the valuation of imported goods.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are netted off against positive cash at bank, under rights of group set off with HSBC.

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (Continued)

Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries, associates, branches and interests in jointly controlled entities, that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (Continued)

Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Onerous lease

Provisions are made against operating leases where the unavoidable cost of meeting the lease obligations exceed the economic benefits received.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (Continued)

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

2 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 amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Useful economic lives and impairment of intangible assets

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives are re-assessed annually and impairment reviews are undertaken. The economic lives are re-assessed annually and impairment reviews are undertaken. The economic lives are amended when necessary to reflect current estimates, based on technological advancement, future investments, and economic utilisation. See note 14 for the carrying amount of the intangible asset.

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Useful economic lives of tangibles assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended where necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 15 for the carrying amount of the property plant and equipment.

Inventory provisioning

The group designs, manufactures and sells marine safety equipment and is subject to changing consumer demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future raw materials. See note 18 for the net carrying amount of the inventory and associated provision.

Impairment of debtors

The group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of the debtors and historical experience.

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2017 £	2016 £
Turnover analysed by class of business		
Manufacture, supply and servicing of marine safety and survival equipment	29,294,360	25,613,265

The analysis of turnover by geographical market has not been provided as, in the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the group.

4 Exceptional costs	2017 £	2016 £
Other exceptional items	187,704	297,806

During the year £135k was recognised in relation to an onerous lease. £53k was spent in relation to bank covenants renegotiation charges.

Exceptional items in the prior year was in relation to staff termination payments as a result of a business combination in 2016.

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

5 Operating loss

	2017 £	2016 £
Operating loss for the year is stated after charging/(crediting):		
Exchange losses	125,092	304,235
Research and development costs	87,930	59,494
Depreciation of owned tangible fixed assets	266,024	296,903
Depreciation of tangible fixed assets held under finance leases	29,290	-
Profit on disposal of tangible fixed assets	(17,183)	(6,919)
Amortisation of intangible assets	1,936,817	2,070,617
Impairment of intangible assets	-	2,632,271
Loss on disposal of intangible assets	-	1,100
Cost of stocks recognised as an expense	18,100,425	13,319,753
Operating lease charges	454,068	481,978

6 Employees

The average monthly number of persons (including directors) employed during the year was:

	Group 2017 Number	2016 Number	Company 2017 Number	2016 Number
Production	156	152	-	-
Sales	20	27	-	-
Administration	94	95	2	3
	<u>270</u>	<u>274</u>	<u>2</u>	<u>3</u>

Their aggregate remuneration comprised:

	Group 2017 £	2016 £	Company 2017 £	2016 £
Wages and salaries	7,321,333	6,700,764	175,000	201,915
Social security costs	696,979	597,361	-	1,380
Pension costs	207,845	187,567	-	-
	<u>8,262,157</u>	<u>7,485,692</u>	<u>175,000</u>	<u>203,295</u>

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

7 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	347,406	265,724
Company pension contributions to defined contribution schemes	72,188	28,425
Compensation for loss of office	-	42,873
	<u>419,594</u>	<u>337,022</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2016 - 1).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

Remuneration for qualifying services	<u>110,286</u>	<u>200,000</u>
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8 Auditor's remuneration

	2017 £	2016 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group	8,330	10,500
Audit of the financial statements of the company's subsidiaries	56,820	53,200
	<u>65,150</u>	<u>63,700</u>
For other services		
Taxation compliance services	19,135	19,550
All other non-audit services	16,200	13,000
	<u>35,335</u>	<u>32,550</u>

9 Interest receivable and similar income

	2017 £	2016 £
Interest income		
Interest on bank deposits	<u>-</u>	<u>75</u>
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	<u>-</u>	<u>75</u>

**SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS)
LIMITED**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

10 Interest payable and similar expenses

	2017 £	2016 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	489,844	623,674
Interest on invoice finance arrangements	425	511
Other interest on financial liabilities	2,670,848	2,161,705
	<u>3,161,117</u>	<u>2,785,890</u>
Other finance costs:		
Interest on finance leases and hire purchase contracts	5,852	-
Other interest	-	239,356
	<u>3,166,969</u>	<u>3,025,246</u>
Total finance costs	<u>3,166,969</u>	<u>3,025,246</u>

11 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	(84,245)	-
Adjustments in respect of prior periods	-	(160,403)
Other taxes	16,045	102,795
	<u>(68,200)</u>	<u>(57,608)</u>
Total current tax	<u>(68,200)</u>	<u>(57,608)</u>
Deferred tax		
Origination and reversal of timing differences	(156,950)	(242,652)
Changes in tax rates	-	(255,411)
Adjustment in respect of prior periods	24,775	(8,511)
	<u>(132,175)</u>	<u>(506,574)</u>
Total deferred tax	<u>(132,175)</u>	<u>(506,574)</u>
Total tax credit	<u>(200,375)</u>	<u>(564,182)</u>

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

11 Taxation (Continued)

The total tax credit for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2017 £	2016 £
Loss before taxation	(4,981,760)	(8,254,165)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	(958,989)	(1,650,833)
Tax effect of expenses that are not deductible in determining taxable profit	657,011	979,927
Adjustments in respect of prior years	(59,470)	(168,914)
Effect of change in corporation tax rate	-	(255,411)
Effect of overseas tax rates	16,045	102,795
Unrecognised deferred tax	145,028	461,387
Tax on prior year adjustment	-	(33,133)
Taxation credit for the year	(200,375)	(564,182)

Exceptional items relate to tax payable on the repatriation of profits into the UK from the operation in the Far East.

Factors affecting future tax charges

The main rate of corporation tax for UK companies reduced from 21% to 20% from 1 April 2015. The Finance (No.2) Act 2015 reduced the rate further to 19% from 1 April 2017. The Finance Act 2016 further reduced the rate of corporation tax to 17% from 1 April 2020. This was substantively enacted on 6 September 2016 and the rate has therefore been included in these financial statements.

**SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS)
LIMITED**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

12 Reconciliation of management EBITDA

	2017 £	2016 £
Loss before tax	(4,981,760)	(8,254,165)
Interest	3,166,969	3,025,171
Depreciation	295,314	296,903
Amortisation	1,936,817	2,070,617
Impairments	-	2,632,271
EBITDA	417,340	(229,203)
Other		
Chairman and investor monitoring fees	295,836	358,477
Foreign exchange losses	125,092	304,235
Refinance costs	52,500	309,765
Onerous lease	135,204	-
Restructuring	-	261,563
Management EBITDA	1,025,972	1,004,837

13 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	2017 £	2016 £
In respect of:		
Goodwill	-	1,977,434
Intangible assets	-	654,837
Recognised in:		
Administrative expenses	-	2,632,271

The impairment losses in respect of intangible fixed assets are recognised in other gains and losses in the income statement.

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

14 Intangible fixed assets

Group	Goodwill	Software	Patents	Customer contracts	Brand names	Development costs	Total
	£	£	£	£	£	£	£
Cost							
At 1 January 2017	11,017,715	72,679	99,769	1,289,125	8,237,266	73,128	20,789,682
Additions - separately acquired	-	75,811	22,904	-	48,640	-	147,355
Exchange adjustments	(247,802)	-	-	-	-	-	(247,802)
At 31 December 2017	10,769,913	148,490	122,673	1,289,125	8,285,906	73,128	20,689,235
Amortisation and impairment							
At 1 January 2017	6,451,834	2,433	52,023	526,359	1,936,173	23,410	8,992,232
Amortisation charged for the year	1,198,810	26,098	33,704	257,825	420,380	-	1,936,817
At 31 December 2017	7,650,644	28,531	85,727	784,184	2,356,553	23,410	10,929,049
Carrying amount							
At 31 December 2017	3,119,269	119,959	36,946	504,941	5,929,353	49,718	9,760,186
At 31 December 2016	4,565,881	70,246	47,746	762,766	6,301,093	49,718	11,797,450

The company had no intangible fixed assets at 31 December 2017 or 31 December 2016.

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

15 Tangible fixed assets

Group	Land and buildings leasehold	Plant and machinery	Fixtures, fittings and equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 January 2017	753,801	1,080,813	404,457	-	156,362	2,395,433
Additions	5,344	223,697	308,826	5,819	66,695	610,381
Disposals	-	(10,449)	(4,773)	-	(71,698)	(86,920)
At 31 December 2017	759,145	1,294,061	708,510	5,819	151,359	2,918,894
Depreciation and impairment						
At 1 January 2017	49,898	280,537	194,014	-	128,901	653,350
Depreciation charged in the year	23,116	126,760	116,092	3,291	26,055	295,314
Eliminated in respect of disposals	-	(8,247)	(1,402)	-	(71,698)	(81,347)
At 31 December 2017	73,014	399,050	308,704	3,291	83,258	867,317
Carrying amount						
At 31 December 2017	686,131	895,011	399,806	2,528	68,101	2,051,577
At 31 December 2016	703,903	800,276	210,443	-	27,461	1,742,083

The company had no tangible fixed assets at 31 December 2017 or 31 December 2016.

Included in land and buildings is land which is not depreciated of:

	Group 2017 £	2016 £	Company 2017 £	2016 £
Long leasehold	146,250	146,250	-	-

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

15 Tangible fixed assets (Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

	Group 2017 £	2016 £	Company 2017 £	2016 £
Fixtures, fittings and equipment	213,483	-	-	-
Motor vehicles	57,947	-	-	-
	<u>271,430</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation charge for the year in respect of leased assets	29,290	-	-	-

16 Fixed asset investments

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Investments in subsidiaries	17	-	-	1	1

Movements in fixed asset investments

Company	Shares in group undertakings
	£
Cost or valuation	
At 1 January 2017 and 31 December 2017	<u>1</u>
Carrying amount	
At 31 December 2017	<u>1</u>
At 31 December 2016	<u>1</u>

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

17 Subsidiaries

Details of the company's subsidiaries at 31 December 2017 are as follows:

Name of undertaking and registered office address	Nature of business	Class of shareholding	% Held	
			Direct	Indirect
International Safety Group Limited**	Saxon Wharf, Southampton, Hampshire, United Kingdom, SO14 5QF	Dormant	Ordinary	100
International Safety Products Limited**	Saxon Wharf, Southampton, Hampshire, United Kingdom, SO14 5QF	Dormant	Ordinary	100
MTR Holdings Limited**	Saxon Wharf, Southampton, Hampshire, United Kingdom, SO14 5QF	Holding company	Ordinary	100
Ocean Safety Limited	Saxon Wharf, Southampton, Hampshire, United Kingdom, SO14 5QF	Marketing and servicing of marine equipment	Ordinary	100
Ocean Safety Rental Limited*	Saxon Wharf, Southampton, Hampshire, United Kingdom, SO14 5QF	Rental of marine and sports equipment	Ordinary	100
Revere Property Holdings Inc +	5323 Highway Avenue, Jacksonville, FL32254, United States of America	Dormant	Ordinary	100
Revere Survival Inc +	5323 Highway Avenue, Jacksonville, FL32254, United States of America	Manufacture of marine and sports equipment	Ordinary	100
Safety and Survival Systems International (Group) Limited*	Saxon Wharf, Southampton, Hampshire, United Kingdom, SO14 5QF	Holding company	Ordinary	100

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

17 Subsidiaries (Continued)

Safety and Survival Systems International Limited*	Saxon Wharf, Southampton, Hampshire, United Kingdom, SO14 5QF	Holding company	Ordinary	100
Safety and Survival Systems International Holdings Inc +	5323 Highway Avenue, Jacksonville, FL32254, United States of America	Holding company	Ordinary	100
Typhoon Holdings Limited**	Saxon Wharf, Southampton, Hampshire, United Kingdom, SO14 5QF	Dormant	Ordinary	100
Typhoon International Limited	Saxon Wharf, Southampton, Hampshire, United Kingdom, SO14 5QF	Manufacture of marine and marine sports equipment	Ordinary	100

* Audit exemption has been claimed by virtue of S479A of the Companies Act.

** Audit exemption has been claimed by virtue of S480 of the Companies Act.

+ Overseas entities with no local audit requirement.

18 Stocks

	Group 2017 £	2016 £	Company 2017 £	2016 £
Raw materials and consumables	2,544,381	2,745,605	-	-
Work in progress	135,449	169,101	-	-
Finished goods and goods for resale	3,236,192	1,872,789	-	-
	<u>5,916,022</u>	<u>4,787,495</u>	<u>-</u>	<u>-</u>

Stock is stated after provisions for impairment of £193,863 (2016 - £351,231).

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

19 Debtors

	Group 2017	2016	Company 2017	2016
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	3,864,551	3,735,752	-	-
Corporation tax recoverable	191,812	107,567	-	-
Amounts owed by group undertakings	-	-	1,092,069	1,094,771
Other debtors	504,403	347,485	7,550	-
Prepayments and accrued income	379,305	568,421	44,117	62,500
	<u>4,940,071</u>	<u>4,759,225</u>	<u>1,143,736</u>	<u>1,157,271</u>

Amounts owed by group undertakings are unsecured, are charged interest based on the deal costs to initially acquire the businesses in the group (2016 - 8% was charged on the average balance outstanding during the year), have no fixed date of repayment and are repayable on demand.

Trade debtors are stated after provisions for irrecoverable debts of £26,022 (2016 - £56,229).

20 Creditors: amounts falling due within one year

		Group 2017	2016	Company 2017	2016
	Notes	£	£	£	£
Bank loans and overdrafts	22	2,787,500	920,410	-	-
Obligations under finance leases	23	67,280	-	-	-
Other borrowings	22	186,714	1,609,933	-	-
Trade creditors		3,520,130	3,368,126	19,863	29,220
Amounts due to group undertakings		-	-	82,780	19,189
Other taxation and social security		384,130	542,658	-	17,478
Other creditors		182,644	60,250	-	-
Accruals and deferred income		676,271	543,852	24,866	18,751
		<u>7,804,669</u>	<u>7,045,229</u>	<u>127,509</u>	<u>84,638</u>

Amounts owed by group undertakings are unsecured, are charged interest based on the deal costs to initially acquire the businesses in the group (2016 - 8% was charged on the average balance outstanding during the year); have no fixed date of repayment and are repayable on demand.

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

21 Creditors: amounts falling due after more than one year

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Bank loans and overdrafts	22	5,818,311	7,605,807	-	-
Obligations under finance leases	23	183,290	-	-	-
Other borrowings	22	19,320,000	20,798,622	-	-
		<u>25,321,601</u>	<u>28,404,429</u>	<u>-</u>	<u>-</u>

Amounts included above which fall due after five years are as follows:

Payable other than by instalments	-	20,798,622	-	-
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22 Borrowings

		Group 2017 £	2016 £	Company 2017 £	2016 £
Bank loans		8,605,811	8,526,217	-	-
Other loans		19,506,714	22,408,555	-	-
		<u>28,112,525</u>	<u>30,934,772</u>	<u>-</u>	<u>-</u>
Payable within one year		2,974,214	2,530,343	-	-
Payable after one year		<u>25,138,311</u>	<u>28,404,429</u>	<u>-</u>	<u>-</u>

Amounts included above which fall due after five years:

Payable other than by instalments	-	20,798,622	-	-
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Other loans above include Unsecured Loan Stock totalling £17,670,000 (2016 - £18,727,574) listed on the Channel Islands Stock Exchange on 13 May 2015. Interest is charged but was not paid on these loans at a fixed rate of 12% per annum. The maturity date is 13 May 2021.

Other loans above included Unsecured Management Loan Notes totalling £1,650,000 (2016 - £2,071,048). Interest is charged but not paid on these loans at a fixed rate of 12% per annum. The maturity date is 31 May 2021.

Bank loans are secured by debenture with a fixed and floating charge over the assets of the company and certain subsidiaries. Interest is charged at LIBOR plus an applicable rate. The interest rates applied range between 2.00% and 5.12%.

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

23 Finance lease obligations

	Group 2017 £	2016 £	Company 2017 £	2016 £
Future minimum lease payments due under finance leases:				
Less than one year	67,280	-	-	-
Between one and five years	183,290	-	-	-
	<u>250,570</u>	<u>-</u>	<u>-</u>	<u>-</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. The average lease term is 4 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

24 Financial instruments

	Group 2017 £	2016 £	Company 2017 £	2016 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	<u>4,330,384</u>	<u>4,038,002</u>	<u>1,092,069</u>	<u>1,094,771</u>
Carrying amount of financial liabilities				
Measured at amortised cost	<u>32,761,259</u>	<u>34,907,000</u>	<u>127,509</u>	<u>67,160</u>

25 Provisions for liabilities

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Dilapidations		40,000	40,000	-	-
Onerous lease		<u>93,666</u>	<u>-</u>	<u>-</u>	<u>-</u>
		133,666	40,000	-	-
Deferred tax liabilities	26	<u>1,072,505</u>	<u>1,204,680</u>	<u>-</u>	<u>-</u>
		<u>1,206,171</u>	<u>1,244,680</u>	<u>-</u>	<u>-</u>

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

25 Provisions for liabilities (Continued)

Movements on provisions apart from deferred tax liabilities:

	Dilapidations	Onerous lease	Total
Group	£	£	£
At 1 January 2017	40,000	-	40,000
Additional provisions in the year	-	135,662	135,662
Utilisation of provision	-	(41,996)	(41,996)
At 31 December 2017	<u>40,000</u>	<u>93,666</u>	<u>133,666</u>

Dilapidations

A provision is recognised for the cost of restoring the company's rented premises to its original state.

Onerous lease

A provision has been recognised for an onerous rental property contract. The company is still contractually required under an operating lease to make payments to lease the building, for which it no longer has any use. The unavoidable cost has been recognised for fulfilling the contract in full.

26 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2017	Liabilities 2016
Group	£	£
Accelerated capital allowances	1,072,505	1,184,348
Deferred tax on acquisition	-	20,332
	<u>1,072,505</u>	<u>1,204,680</u>

The company has no deferred tax assets or liabilities.

	Group 2017	Company 2017
Movements in the year:	£	£
Liability at 1 January 2017	1,204,680	-
Credit to profit or loss	(132,175)	-
Liability at 31 December 2017	<u>1,072,505</u>	<u>-</u>

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

26 Deferred taxation (Continued)

The deferred tax liability set out above is expected to reverse over the term of the assets to which it relates and relates to accelerated capital allowances that are expected to mature within the same period.

There are unrecognised deferred tax assets of £329,246 (2016 - £742,007) which relate to tax losses carried forward.

27 Retirement benefit schemes

	2017	2016
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	178,394	187,567

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund.

There were outstanding contributions of £9,125 (2016 - £13,019) included in accruals.

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

28 Share capital

	Group and company	
	2017	2016
	£	£
Ordinary share capital		
Issued and fully paid		
730,000 Ordinary A of 1p each	7,300	7,300
35,000 Ordinary B of £1 each	35,000	35,000
35,000 Ordinary C of £1 each	35,000	35,000
184,000 Ordinary D of £1 each	184,000	184,000
	<u>261,300</u>	<u>261,300</u>

The holders of Ordinary A shares have the right to receive notice of and attend and vote and speak at any general meeting of the company and shall be entitled to vote on any written resolution of the company. The holders of the Ordinary A shares shall have a right to participate in a distribution on a return of assets on liquidation or capital reduction or otherwise. The holders of the Ordinary A shares shall be entitled to a distribution of profits according to the number of Ordinary A shares held. The Ordinary A shares are not redeemable.

The holders of Ordinary B shares have the right to receive notice of and attend and vote and speak at any general meeting of the company and shall be entitled to vote on any written resolution of the company save that each holder of the Ordinary B shares present shall in aggregate be entitled on a poll or written resolution to 5% of the votes attaching to all Ordinary Shares, Ordinary B Shares, Ordinary C Shares, and Ordinary D Shares. The holders of the Ordinary B shares shall be entitled to a distribution of profits according to the number of Ordinary B shares held. The Ordinary B shares are not redeemable.

The holders of Ordinary C shares have the right to receive notice of and attend and vote and speak at any general meeting of the company and shall be entitled to vote on any written resolution of the company save that each holder of the Ordinary C shares present shall in aggregate be entitled on a poll or written resolution to 5% of the votes attaching to all Ordinary Shares, Ordinary B Shares, Ordinary C Shares, and Ordinary D Shares. The holders of the Ordinary C shares shall be entitled to a distribution of profits according to the number of Ordinary C shares held. The Ordinary C shares are not redeemable.

The holders of Ordinary D shares have the right to receive notice of and attend and vote and speak at any general meeting of the company and shall be entitled to vote on any written resolution of the company. The holders of the Ordinary D shares shall have a right to participate in a distribution on a return of assets on liquidation or capital reduction or otherwise. The holders of the Ordinary D shares shall be entitled to a distribution of profits according to the number of Ordinary D shares held. The Ordinary D shares are not redeemable.

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

29 Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Revaluation reserve

The cumulative revaluation gains and losses in respect of land and buildings, except revaluation gains and losses recognised in profit or loss.

Capital contribution reserve

Cumulative waived rights to interest on long term debt from related parties.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

30 Financial commitments, guarantees and contingent liabilities

The group is subject to a bank guarantee in respect to a unilateral security, the amount of the secured debt is for £7,931,727 (2016 - £9,023,750).

The group has provided a guarantee concerning the liabilities of the following group companies, under section 479A of the Companies Act as at 31 December 2017:

Ocean Safety Rental Limited
Safety and Survival Systems International (Group) Limited
Safety and Survival Systems International Limited

31 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Within one year	182,174	181,628	-	-
Between one and five years	265,084	396,482	-	-
In over five years	4,068	40,476	-	-
	<u>451,326</u>	<u>618,586</u>	<u>-</u>	<u>-</u>

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

32 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel of the group, who are also directors, is as follows.

	2017 £	2016 £
Aggregate compensation	375,742	559,559

The above figure is stated including employer's national insurance of £28,336 (2016 - £30,304).

Transactions with related parties

During the year the group entered into the following transactions with related parties:

	Purchase of goods	
	2017 £	2016 £
Group		
Controlling party	120,833	154,781
Other related parties	-	33,000

	Outstanding loans		Interest charged	
	2017 £	2016 £	2017 £	2016 £
Group				
Controlling party	17,839,897	20,179,638	2,401,261	2,161,706
Other related parties	1,666,816	2,228,917	260,588	239,356

Other related parties relate to close companies of the controlling party.

During the year to 31 December 2017, the cumulative interest owed to the controlling party totalling £6,751,373 and owed to other related parties totalling £821,318 was waived.

The following amounts were outstanding (excluding loans shown above) at the reporting end date:

	Amounts owed to related parties	
	2017 £	2016 £
Group		
Controlling party	429,293	300,000
Other related parties	-	50,814

Other related parties relate to a former director.

SAFETY AND SURVIVAL SYSTEMS INTERNATIONAL (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

33 Controlling party

The company's ultimate controlling party is funds managed by August Equity LLP, a limited liability partnership registered in England and Wales.

34 Post balance sheet events

After the year end, in June 2018, the Group has successfully renegotiated its borrowing facilities with the HSBC. The repayment terms of the term loan remain unchanged however the covenant tests have been reset to provide more flexibility for the Group. Also, the £1m revolving credit facility has been replaced by a £3m invoice finance facility which not only gives more liquidity to the Group but aligns more closely with the working capital cycle the Group experiences.

35 Cash generated from group operations

	2017 £	2016 £
Loss for the year after tax	(4,781,385)	(7,689,983)
Adjustments for:		
Taxation credited	(200,375)	(564,182)
Finance costs	3,166,969	3,191,091
Investment income	-	(75)
Gain on disposal of tangible fixed assets	(17,183)	(6,919)
Loss on disposal of intangible assets	-	1,100
Amortisation and impairment of intangible assets	1,936,817	4,702,888
Depreciation and impairment of tangible fixed assets	295,314	296,903
Increase in provisions	93,666	40,000
Movements in working capital:		
(Increase)/decrease in stocks	(1,235,888)	435,650
Decrease/(increase) in debtors	33,168	(1,104,022)
Increase in creditors	367,302	1,667,688
Cash (absorbed by)/generated from operations	(341,595)	970,139