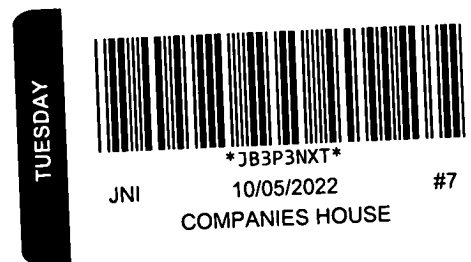


Registration number: 00905173

Survitec Group Limited

Annual Report and Financial Statements

for the year ended 31 December 2021



Survitec Group Limited

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Survitec Group Limited

Company Information

Directors	R C A Leclercq R M Krisanda M B V Whittaker C H Sada
Company secretary	J Henley-Price
Registered office	The Aspect, Fourth Floor 12 Finsbury Square London England EC2A 1AS
Solicitors	Kirkland & Ellis International LLP 30 St. Mary Axe London EC3A 8AF
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

Survitec Group Limited

Strategic Report for the Year Ended 31 December 2021

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

The Vision for Survitec Group Limited (the "Company") is aligned to that of Survitec Acquisition Company Limited ("Survitec Group" or the "Group"). The Vision is "To be the world's most trusted company for critical safety and survival solutions" and our Purpose is "We exist to save lives".

The Group Strategy is to:

Build sales and commercial capabilities to create long term customer partnerships, based on value;
Generate organic growth through innovative products and services, digital platforms and geographical expansion;
Defend and extend leading positions to increase installed base of product and to grow aftermarket activity;
Foster employee engagement through training, development and performance management, driving cultural change;
Deliver operational excellence at the right cost through creation of scalable platforms; and
Identify, execute and integrate strategic M&A.

Survitec Group Limited is committed to helping the Group deliver on its strategy.

Section 172(1) statement

Directors' Duties

Please see the Strategic Report in Survitec Acquisition Company Limited (the intermediary parent company of the Company) for details on Directors' Duties.

Streamlined Energy and Carbon Reporting

Please see the Directors' Report in Survitec Acquisition Company Limited for detail on the streamlined energy & carbon reporting (SECR) policy of the Group, of which the Company is a member.

Fair review of the business

The principal activities of the Company are the design, manufacture and servicing of marine life saving equipment, specialised submarine escape equipment, anti-G suits and a range of immersion, abandonment and transportation suits for the shipping, defence and aerospace industries. The Company also acts as the treasury function for the Survitec Group.

The Company continues to invest in design and developments, which has resulted in a number of updates to the Company's existing products. The directors regard such investment as necessary for the continued success in the medium to long term future of the business.

On 5 May 2021, the Company indirectly acquired the Hansen Protection Group of Companies, through one of its subsidiaries, Survitec Group Norway AS. The Hansen Protection Group specialises in the design, manufacturing, distribution, and servicing of personal protective equipment, protective rainwear and boat canopies & textile solutions for a variety of tasks in harsh and cold-water environments. The transaction reinforces the Survitec Group as the global leader for Survival Technology across the Maritime, Defence & Government, Energy, and Aerospace markets. Survitec's complete portfolio and its wide-reaching footprint creates a single partner for customers across the globe.

In November 2021, the Company acquired 100% of the issued share capital of Blue Anchor Fire and Safety Limited, a company incorporated in the UK. Blue Anchor is one of Scotland's leading providers of survival solutions providers to the fisheries, maritime and offshore energy industries. With a similar offering, together with shared values in terms of quality and customer value, Blue Anchor is an excellent fit for the Survitec Group. This investment allows the Group to enhance capabilities across the region.

Survitec Group Limited

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

Fair review of the business (continued)

The trading results of the Company for the year show revenue for the year of £103,785,000 (31 December 2020: £86,923,000) and loss for the year of £81,313,000 (31 December 2020: loss of £30,307,000). The commensurate movement in the loss for the current year was principally a result of a reduction in impairment charges, with an impairment reversal on amounts owed by group undertakings of £89,646,000 (31 December 2020: £61,324,000) and impairment of investment in subsidiary undertakings of £142,394,000 (31 December 2020: £68,498,000) as well as a release of warranty provision of £1,999,000 (31 December 2020: £Nil) offset by foreign exchange losses on intercompany financing transactions of £7,797,000 (31 December 2020: gains of £2,749,000). The remaining improvement is as a result of increased turnover, offset by increased raw materials and consumables. Please refer to Note 3 for a summary of results of the annual impairment review.

The key performance indicators for the Company are revenue, profit/(loss) before taxation and adjusted earnings before interest, tax, depreciation, impairment and amortisation (adjusted EBITDA). The Company's results show a loss before taxation for the year ended 31 December 2021 of £81,245,000 (31 December 2020: £25,771,000).

Adjusted EBITDA for the year ended 31 December 2021 is a profit of £1,186,000 (31 December 2020: loss of £5,934,000). Adjusted EBITDA for the year is calculated as follows:

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Operating loss	(56,174)	(16,386)
Add back: Depreciation and amortisation	4,612	3,278
Add back: Impairment of investment in subsidiary undertakings	142,394	68,498
Deduct: Impairment reversal on amounts owed by group undertakings	(89,646)	(61,324)
Adjusted EBITDA	1,186	(5,934)

The results for the Company show that turnover for the year increased by £16,862,000 due to increased revenue from the personal protection product line which arose as a result of COVID-19, offsetting a decline in the cruise industry due to COVID-19.

The continued impact of the COVID-19 pandemic was partially mitigated by rapid responses by management to cost control, cash preservation measures and use of government programmes. The Company was also able to leverage its manufacturing capabilities during this time to diversify its operations to secure new business within the personal protection market.

The Company's Statement of Financial Position shows that the Company's Net Liabilities including the pension liability have decreased from £350,350,000 at 31 December 2020 to a net asset position of £60,796,000 at 31 December 2021 as a result of an intercompany loan capitalisation during the year.

Loans due from Survitec Holdings 1 Limited, the immediate parent company, were waived in exchange for the issue of 3 shares, with a nominal value of £1 per share, in the Company, creating an additional share premium of £492,404,000.

Additionally, loans owed from subsidiary undertakings Survitec Group Norway AS, Oceana Air Sea Trading Company B.V., DSB Deutsche Schlauchboot GmbH and Survitec Safety Solutions Brazil Limited were waived in exchange for additional investments in these entities. See note 16.

Survitec Group Limited

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

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 over the status of controls or mitigating actions.

Competitive Markets

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

- Risk drivers: The markets in which the Company 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 Company 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.

Geopolitical and Inflation Risks

War in Ukraine heightens inflation risks and challenges the global economy.

- Risk drivers: The negative effects of growing 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 Company 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.

Survitec Group Limited

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

Principal risks and uncertainties (continued)

COVID-19

The risk that the COVID-19 pandemic impacts negatively on Survitec's ability to drive profitable operations in the medium to long term.

- Risk drivers: The COVID-19 pandemic has continued to cause business impacts during 2021. Measures taken by various governments to contain the virus have affected economic activity.
- Impact: The pandemic has had a mixed impact on the Company's operations during 2021. Although certain industries in which the Company operates, specifically the cruise ship sector have continued to see a slower recovery in activity, other opportunities have been realised across the group's diverse range of capabilities.
- Mitigation: The Company has worked closely with its customers to manage the effects of the downturn in their respective markets and assist in a recovery. Although the Company has utilised government support during the crisis, employee safety and welfare have been Management's highest priority. To maintain a consistent and reliable manufacturing output, the Group has worked closely with each division to ensure working patterns are flexible and can support the changing needs of its people, whilst ensuring the business delivers a high-quality standard of service to its customer's.

Warranty risk

As the Company's activities include the development of critical safety products, if a product failed to operate as designed, this could expose the Company 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 Company 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 Managements' ongoing operational reviews, additional assessments were performed and modelled to consider the risk of product warranty matters and additional warranty provisions of £293,000 (31 December 2020: £37,000) were recognised. A total of £699,000 (31 December 2020: £967,000) was utilised during the year, a total of £1,999,000 (31 December 2020: £Nil) was released to the Income Statement and a total of £Nil (31 December 2020: £87,000) was transferred to another provision, and therefore there remained a warranty provision of £7,860,000 at the year end (31 December 2020: £10,265,000). 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 25 for additional information.

Survitec Group Limited

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

Future developments

Looking forward across the next 12 months, the Company anticipates growth in the Marine division with continued success in Marine Evacuation Systems (MES). Defence and Aerospace revenue anticipate growth in Liferafts, Immersion Suits & Rescue Boats.

In February 2022, the Company has successfully completed heavy weather sea trials for its new product development, Seahaven. This is a huge step forward in the critical development of Seahaven which brings this game-changing cruise evacuation system one step closer to full market introduction.

Supply chain challenges, cost inflationary pressures and geopolitical impacts, are proactively managed across the Board and Executive Management team. The Company is taking active steps to mitigate associated risks and manage any potential exposure to its business operations.

Transformational programmes will continue to progress to further align the business and organisational structure to its identified market opportunities, in turn delivering sustainable growth.

Continuous project management of the transformation 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 program for management review.

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

The Company 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 4 May 2022 and signed on its behalf by:



.....
R C A Leclercq
Director

Survitec Group Limited

Directors' Report for the Year Ended 31 December 2021

The directors present their report and the audited financial statements for the year ended 31 December 2021.

Directors' of the Company

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

S K Devani (resigned 31 March 2022)

R C A Leclercq

R M Krisanda

M B V Whittaker

The following director was appointed after the year end, and up to the date of signing the financial statements:

C H Sada (appointed 31 March 2022)

Business review

The loss after tax for the year ended 31 December 2021 is £81,313,000 (31 December 2020: £30,307,000). A review of the performance of the business is set out in the Strategic report and is included in this report by cross-reference.

Business conduct

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

Dividends

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

Going concern

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

The Company is a wholly owned subsidiary of Survitec Acquisition Company Limited (together with its subsidiaries, the "Group" or "Survitec Group"). The Company now has a net asset position as at 31 December 2021 (31 December 2020: net liability position), driven by the conversion of loans due to the immediate parent company into equity.

As at 31 December 2021, the Company had net current liabilities (2020: net current liabilities) and is reliant upon the support of Survitec Group to meet its current liabilities as they fall due. The assets of the Company and the shares that the parent company owns in the Company, are pledged as collateral under Survitec Group's external bank loan and overdraft facilities ("the facilities"). This collateral would be at risk if a member of the Survitec Group defaults on obligations contained in the facilities agreement and liquidity and guarantees provided by the Group Treasury function, if and/or when required, would not be available. The Company has received a letter of support from Survitec Acquisition Company Limited which states the Directors' intention to provide sufficient funding to the Company for a period of at least 12 months from the date these financial statements are signed, to allow the Company to settle its liabilities as they fall due. This support extends to intercompany liabilities that won't be recalled unless the Company has the ability to settle them. Below, the Directors' have considered the ability of the Group to provide this support.

Survitec Group Limited

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

Going concern (continued)

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

A Revolving Credit Facility of £27,500,000 has been negotiated and approved by the Bank's Credit Committee in March 2021, of which £15,000,000 was drawn down in April 2022.

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

In reviewing the appropriateness of the Going Concern assumption, Group Management has prepared forecasts covering the period to 30 June 2023 "(the Going Concern period)". The forecasts demonstrate that the Group is expected to generate profits and cash during the Going Concern period and beyond, and that the Group has sufficient cash reserves to enable the Group to meet its obligations as they fall due over a period of at least 12 months from the date of signing of these financial statements. The forecast improvements are driven by the underlying strength and continued growth of the business, the full year impact of profits arising from entities acquired during the year, as well as continued transformation projects resulting in reduced overheads.

The forecasts have been further sensitised to reflect severe but plausible downside scenarios. The forecasts indicate sufficient headroom on the Group's new facilities through to 30 June 2023, as well as compliance with all banking covenants. Through both treasury and financial quarterly forecasting, there is continuous focus on the Group's cash and profitability position, and as such mitigations could be implemented immediately to maintain the minimum cash requirements. The forecasts have been reviewed by the Directors.

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

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

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

Survitec Group Limited

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

Financial Risk Management

Objectives and policies

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

Foreign exchange rate risk

The Company, whilst headquartered in the UK, operates in geographically diverse locations, with 57.3% (31 December 2020: 68.3%) of its sales being made outside the UK. It is therefore exposed to movements in exchange rates. The Company seeks to minimise this impact on its local operations by the use of multi-sourcing of its key materials and the use of foreign exchange contracts.

Credit risk

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

Liquidity risk

In the event of needing extra funds, the Company has access to sufficient available funds from Group undertakings for operations and planned expansion.

Interest rate risk

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

The Company has amounts owed to group undertakings which carry interest at a fixed rate and expose it to fair value interest rate risk. The directors do not consider this risk to be significant and therefore no steps have been taken to mitigate this risk.

Warranty risk

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

Political donations

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

Corporate governance and SECR reporting

Please refer to the Directors' Report in Survitec Acquisition Company Limited for detail on the Streamlined energy & carbon reporting (SECR) and Corporate governance policy of the Group, of which the Company is a member.

Survitec Group Limited

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

Employment of disabled persons

The Company's policy in relation to the employment of disabled persons is, where practicable, to continue to employ employees who become temporarily or permanently disabled. Full regard is given to their training needs, career development and potential for promotion. Full and fair consideration is also given to the employment of applicants who are disabled persons, taking into account their aptitudes and abilities.

Employee involvement

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

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

Engagement with suppliers, customers and others in a business relationship with the Company

Please refer to the Director's report in Survitec Acquisition Company Limited for details of how the Group, of which this Company is a member, engages with suppliers, customers and others in business relationships.

Future developments

Looking forward to future financial periods, there are revenue growth and cost reduction opportunities for the business to pursue both organically, inorganically and through new and existing product development. There are transformational programmes in place to further align the business and organisational structure to its identified market opportunities, in turn delivering sustainable growth. In addition to enhanced market focus, the Company will continue to invest in the full integration of manufacturing and supply chain operations, giving the business the opportunity to meet customer demands while reducing cost and improving working capital investment.

Management recognise that the delivery of the transformation programs are a key enabler for the future development of the Company and therefore the risk associated with non-delivery. However significant progress towards achieving these transformational goals has been achieved during the year, thus demonstrating the effectiveness of management's plans and intentions for the future strategy of the business. The Company continuously monitor and oversee the delivery of the transformation programs, monitoring both benefits achieved, benefits still to be achieved and ongoing costs to achieve, and therefore managing the risk to the business.

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

Research and development

To ensure the Company maintains its strong position in the global marketplace, the Company invests in new and existing product development and research programmes. During the year, the Company has expensed £370,000 (31 December 2020: £64,000) on research programmes and has also capitalised £7,356,000 (31 December 2020: £5,738,000) in respect of development projects. The Company received £1,432,000 (31 December 2020: £556,000) of government grants in respect of development projects.

Survitec Group Limited

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

Events after the reporting period

Asset held for sale

The Birkenhead site has been classified as an asset held for sale in accordance with IFRS 5. Assets totalling £340,000 have been transferred to assets held for sale in the Statement of Financial Position.

Directors' liabilities

In accordance with section 234 of the Companies Act 2006, the Company has made a qualifying third party indemnity provision for the benefit of its Directors during the year and it remained in force at the date of this report.

Reappointment of 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 auditors. PricewaterhouseCoopers LLP has expressed their willingness to continue in office.

Approved by the Board on 4 May 2022 and signed on its behalf by:



.....
R C A Leclercq
Director

Survitec Group Limited

Statement of Directors' Responsibilities in Respect of the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

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 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 company's auditors are aware of that information.

Approved by the Board on 4 May 2022 and signed on its behalf by:



.....
R C A Leclercq
Director

Independent auditors' report to the members of Survitec Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, Survitec Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); 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: Statement of Financial Position as at 31 December 2021; the Income Statement, the Statement of Comprehensive Income and the Statement 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 company 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.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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 2021 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 company and its 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 company 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:

- Discussions with the Group and Divisional management teams, internal audit, internal legal counsel and the Audit Committee of the parent entity, including consideration of known or suspected instances of non-compliance with laws and regulation (including data protection legislation) 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 to impairment of amounts owed by group undertakings and investments in subsidiary undertakings, 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.

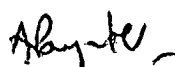
Other required reporting

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 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
4 May 2022

Survitec Group Limited

Income Statement for the Year Ended 31 December 2021

	Note	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Revenue	4	103,785	86,923
Changes in inventories of finished goods and work in progress		45	1,754
Raw materials and consumables		(53,107)	(45,237)
Employee benefits expense	5	(34,641)	(31,745)
Depreciation and amortisation expense	8	(4,612)	(3,278)
(Impairment)/reversal of impairment against trade receivables	8	(10)	29
Reversal of impairment of amounts owed by group undertakings	8	89,646	61,324
Impairment of investments in subsidiary undertakings	8	(142,394)	(68,498)
Other operating expenses		(16,579)	(18,606)
Other operating income	9	<u>1,693</u>	<u>948</u>
Operating loss		<u>(56,174)</u>	<u>(16,386)</u>
Finance income	10	11,811	14,309
Finance costs	11	<u>(36,882)</u>	<u>(23,694)</u>
Net finance cost		<u>(25,071)</u>	<u>(9,385)</u>
Loss before tax		(81,245)	(25,771)
Income tax expense	12	<u>(68)</u>	<u>(4,536)</u>
Loss for the financial year		<u><u>(81,313)</u></u>	<u><u>(30,307)</u></u>

All operations are continuing.

Survitec Group Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

		Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Loss for the financial year		(81,313)	(30,307)
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations (net)	26	<u>55</u>	<u>(2,747)</u>
Total comprehensive expense for the year		<u>(81,258)</u>	<u>(33,054)</u>

The notes on pages 22 to 72 form an integral part of these financial statements.

Survitec Group Limited

(Registration number: 00905173)

Statement of Financial Position as at 31 December 2021

	Note	31 December 2021 £ 000	31 December 2020 £ 000
Assets			
Fixed assets			
Intangible assets	13	20,557	12,439
Property, plant and equipment	14	10,329	5,670
Right of use assets	15	11,107	7,766
Investments	16	<u>98,115</u>	<u>54,367</u>
		<u>140,108</u>	<u>80,242</u>
Current assets			
Inventories	17	15,999	13,723
Trade and other receivables	18	118,996	106,268
Income tax asset		22	-
Contract assets	18	2,590	2,463
Cash and cash equivalents	19	11,203	8,373
Assets held for sale		<u>340</u>	<u>-</u>
		<u>149,150</u>	<u>130,827</u>
Total assets		<u><u>289,258</u></u>	<u><u>211,069</u></u>
Equity and liabilities			
Equity			
Called up share capital	20	11,776	11,776
Share premium reserve	21	510,239	17,835
Revaluation reserve	21	496	496
Other reserves	21	(11,951)	(11,951)
Accumulated losses	21	<u>(449,764)</u>	<u>(368,506)</u>
		<u>60,796</u>	<u>(350,350)</u>
Creditors: amounts falling due within one year			
Lease liabilities	22	394	435
Trade and other payables	23	192,545	522,835
Loans and borrowings	24	5,233	7,838
Contract liabilities	23	6,104	3,648
Provisions for liabilities	25	<u>8,473</u>	<u>10,044</u>
		<u>212,749</u>	<u>544,800</u>

The notes on pages 22 to 72 form an integral part of these financial statements.

Survitec Group Limited

(Registration number: 00905173)

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

	Note	31 December 2021 £ 000	31 December 2020 £ 000
Creditors: amounts falling due after more than one year			
Lease liabilities	22	9,767	7,592
Loans and borrowings	24	-	4,820
Provisions for liabilities	25	2,233	1,269
Retirement benefit obligations	26	1,400	2,329
Deferred income		2,313	609
		<u>15,713</u>	<u>16,619</u>
Total liabilities		<u>228,462</u>	<u>561,419</u>
Total equity and liabilities		<u>289,258</u>	<u>211,069</u>

The financial statements on pages 17 to 72 were approved by the Board on 4 May 2022 and signed on its behalf by:



.....
R C A Leclercq
Director

Survitec Group Limited

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

	Called up share capital £ 000	Share premium £ 000	Revaluation reserve £ 000	Other reserves £ 000	Accumulated losses £ 000	Total £ 000
At 1 January 2021	11,776	17,835	496	(11,951)	(368,506)	(350,350)
Loss for the financial year	-	-	-	-	(81,313)	(81,313)
Other comprehensive income	-	-	-	-	55	55
Total comprehensive expense	-	-	-	-	(81,258)	(81,258)
New share capital subscribed	-	492,404	-	-	-	492,404
At 31 December 2021	<u>11,776</u>	<u>510,239</u>	<u>496</u>	<u>(11,951)</u>	<u>(449,764)</u>	<u>60,796</u>

	Called up share capital £ 000	Share premium £ 000	Revaluation reserve £ 000	Other reserves £ 000	Accumulated losses £ 000	Total £ 000
At 1 January 2020	11,776	17,835	496	(11,951)	(335,452)	(317,296)
Loss for the financial year	-	-	-	-	(30,307)	(30,307)
Other comprehensive expense	-	-	-	-	(2,747)	(2,747)
Total comprehensive expense	-	-	-	-	(33,054)	(33,054)
At 31 December 2020	<u>11,776</u>	<u>17,835</u>	<u>496</u>	<u>(11,951)</u>	<u>(368,506)</u>	<u>(350,350)</u>

The notes on pages 22 to 72 form an integral part of these financial statements.
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Survitec Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 General information

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

The registered number is 00905173 and the address of its registered office is:

The Aspect, Fourth Floor
12 Finsbury Square
London
England
EC2A 1AS

The principal activities of the Company are the design, manufacture and servicing of marine life saving equipment, specialised submarine escape equipment, anti-G suits and a range of immersion, abandonment and transportation suits for the shipping, defence and aerospace industries. The Company also acts as the head office and treasury function for the Survitec Group.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101) and Companies Act 2006 as applicable to companies using FRS 101.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Please see note 3 for further details.

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

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

Exemption from preparing group accounts

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare Group consolidated accounts as it is a wholly owned subsidiary of Survitec Acquisition Company Limited.

The results of Survitec Group Limited are included in the consolidated financial statements of Survitec Acquisition Company Limited which are available from the Company Secretary, The Aspect, Fourth Floor, 12 Finsbury Square, London, England, EC2A 1AS.

Survitec Group Limited

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

2 Accounting policies (continued)

Summary of disclosure exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with IAS 1:

- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1 'Presentation of financial statements' comparative information requirements in respect of:
 - i) Paragraph 79(a)(iv) of IAS 1;
 - ii) Paragraph 73(e) of IAS 16 Property, plant and equipment;
 - iii) Paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period);
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - i) 10(d), (statement of cash flows);
 - ii) 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - iii) 16 (statement of compliance with all IFRS);
 - iv) 111 (cash flow statement information);
 - v) 134 – 136 (capital management disclosures);
 - vi) 38A (requirement for minimum of two primary statements, including cash flow statements), and;
 - vii) 38B-D (additional comparative information);
- IAS 7, 'Statement of cash flows';
- The following paragraphs IFRS 15, 'Revenue from Contracts with Customers':
 - i) 110(b) (Disclosure about the significant judgements, and changes in the judgements, made in applying the standard to contracts with customers);
 - ii) 113(a) (Separate disclosure of revenue recognised from contracts with customers);
 - iii) 114 -115 (Disclosure of contracts with customers – disaggregation of revenue);
 - iv) 118 (a-e) (Explanation of the significant changes in the contract assets and the contract liability balances);
 - v) 119 (a-c) (Disclosure of information about performance obligations in contracts with customers);
 - vi) 120 - 122 (Disclosure of contracts with customers and the transaction price allocated to the remaining performance obligations);
 - vii) 123 - 126 (Disclosure of significant judgements in application of the standard)
 - viii) 127 (Disclosure of the judgements made in determining the amounts of costs incurred to obtain or fulfil a contract with a customer and the methods used to determine the amortisation for each reporting period);
 - ix) 129 (Disclosure of practical expedient).
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

New standards, amendments, IFRIC interpretations and new relevant disclosure requirements

There are no amendments to the accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021, that have a material impact on the Company's financial statements.

Survitec Group Limited

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

2 Accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis, which the Directors believe to be appropriate based on the considerations set out below. The Company is a wholly owned subsidiary of Survitec Acquisition Company Limited (together with its subsidiaries the "Survitec Group"). The Company has a net asset position as at 31 December 2021 (31 December 2020: net liability position) driven by the conversion of loans due to the immediate parent company into equity.

As at 31 December 2021, the Company had net current liabilities (2020: net current liabilities) and is reliant upon the support of Survitec Group to meet its current liabilities as they fall due. The assets of the Company and the shares that the parent company owns in the Company, are pledged as collateral under Survitec Group's external bank loan and overdraft facilities ("the facilities"). This collateral would be at risk if a member of the Survitec Group defaults on obligations contained in the facilities agreement and liquidity and guarantees provided by the Group Treasury function, if and/or when required, would not be available. The Company has received a letter of support from Survitec Acquisition Company Limited which states the Directors' intention to provide sufficient funding to the Company for a period of at least 12 months from the date these financial statements are signed, to allow the Company to settle its liabilities as they fall due. This support extends to intercompany liabilities that won't be recalled unless the Company has the ability to settle them. Below, the Directors' have considered the ability of the Group to provide this support.

In reviewing the appropriateness of the Going Concern assumption, Group Management has prepared forecasts covering the period to 30 June 2023 (the Going Concern period). The forecasts demonstrate that the Group is expected to generate profits and cash during the Going Concern period and beyond, and that the Group has sufficient cash reserves to enable the Group to meet its obligations as they fall due over a period of at least 12 months from the date of signing of these financial statements. The forecast improvements are driven by the underlying strength and continued growth of the business, the full year impact of profits from entities acquired during the year, as well as continued transformation projects resulting in reduced overheads.

The forecasts have been further sensitised to reflect a severe but plausible downside scenario. The forecasts indicate sufficient headroom on the Group's new facilities through to 30 June 2023 as well as compliance with all banking covenants. The Group has also drawn down £15,000,000 of the revolving credit facility during April 2022. Through both treasury and financial quarterly forecasting, there is continuous focus on the Group's cash and profitability position, and as such mitigations could be implemented immediately to maintain the minimum cash requirements. The forecasts have been reviewed by the Directors.

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

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

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

Survitec Group Limited

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

2 Accounting policies (continued)

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2021 have had a material effect on the financial statements.

Foreign currency transactions and balances

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

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

Revenue Recognition

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

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

Sale of goods

For contracts for the sale of an individual item, the performance obligation is the acceptance or delivery of the item. For contracts with more than one item, the performance obligation is either:

- The acceptance or delivery of each individual item where each item is considered distinct; or
- The acceptance or delivery of the final item where the goods are not distinct.

Revenue is recognised at the point in time when the customer obtains control of the goods which is based on the delivery terms of the contract.

Sale of good with installation and/or training

Delivery of goods, installation services and training services are treated as separate performance obligations as the customer can benefit from each separately and they are separate promises within the contracts. The performance obligations are in line with revenue recognition for 'Sale of goods'.

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

Survitec Group Limited

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

2 Accounting policies (continued)

Servicing of safety equipment

The Company carries out services on a variety of safety products to meet the periodic service requirements under maritime law. The performance obligation is the completion of these services. These services do not meet the criteria to be recognised over time as i) the Company only has the right to payment on completion of the service, ii) the Company is not enhancing or creating an asset and iii) the customer does not simultaneously receive and consume the benefits as performance progressed as the service has to be fully completed by the Company and performance to date could not be re-performed by another party.

Interest income

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

Dividend income

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

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).

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

Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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

Other operating income

Other operating income represents royalties, rebates and other similar operating income and is measured at the fair value of the consideration received or receivable, and is stated net of discounts and value added taxes. The Company recognises other operating income when the amount of income can be reliably measured and when it is probable that future economic benefits will flow to the entity.

Survitec Group Limited

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

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.

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

Dividends

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

Interest expense

Interest on financial liabilities is calculated using the effective interest method and is recognised in the income statement as part of finance costs.

Tax

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

The current income tax charge, including UK corporation tax and foreign tax is calculated on the basis of the tax laws enacted or substantively enacted by the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Survitec Group Limited

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

2 Accounting policies (continued)

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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.

Survitec Group Limited

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

2 Accounting policies (continued)

Intangible Assets

Development expenditure

Research and development activities are typically self-initiated in nature. Costs for self-initiated research and development activities are assessed to determine if they qualify for recognition as internally generated intangible assets 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.

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

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

Amortisation is calculated using the straight-line method to allocate the cost of development costs over the estimated useful lives of 10 to 20 years.

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the criteria as per 'Development expenditure' are met.

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

Property plant and equipment

Property, plant and equipment is shown at historical cost less subsequent depreciation for buildings. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

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

Survitec Group Limited

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

2 Accounting policies (continued)

Property, plant and equipment (continued)

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.

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

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

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:

<i>Asset class</i>	<i>Depreciation method and rate</i>
Leasehold improvements	Life of lease Straight-line
Freehold buildings	2-4% per annum
Plant and machinery	10-25% per annum
Computer equipment	20-50% per annum
Motor vehicles	20-33% per annum

Plant and machinery, computer equipment and motor vehicles are categorised within 'Other property, plant and equipment' in note 14. Leasehold improvements and freehold buildings are categorised within 'Land and buildings' in note 14.

Right of use assets

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

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

Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Investments

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

Survitec Group Limited

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

2 Accounting policies (continued)

Inventories

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

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

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

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected within 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 provision for impairment. The Company assesses impairments based on the lifetime expected credit loss. Please refer to note 3 for details on how the Company assesses for impairment of amounts owed by group undertakings.

Cash and cash equivalents

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

Trade payables

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

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

Borrowings

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

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

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

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.

Survitec Group Limited

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

2 Accounting policies (continued)

Leases

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

- (a) Increasing the carrying amount to reflect interest on the lease liability;
- (b) Reducing the carrying amount to reflect the lease payments made; and
- (c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

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

Lease modifications

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

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

Short term and low value leases

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

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

Survitec Group Limited

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

2 Accounting policies (continued)

Defined contribution pension obligation

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

The Company operates a defined contribution pension scheme. The amount charged to the income statement in respect of pension costs is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit pension obligation

A defined benefit scheme defines 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 the 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 the 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 actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

The defined benefit scheme is funded, with assets held separately from those of the Company in separate trustee administered funds.

The current service cost of the defined benefit plan, recognised in the Income Statement in Staff Costs, 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. This cost is included in employee benefit expense in the Income Statement.

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 Company 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 Company'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 reduce 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.

Survitec Group Limited

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

2 Accounting policies (continued)

Provisions

a) Warranty

Due to the nature of products manufactured by the Company, warranty provisions are recognised when there is an expectation of a constructive or legal obligation on 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. Please also refer to note 3 'Critical accounting judgements and key sources of estimation uncertainty'.

b) Dilapidations

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

c) Other

Provisions for legal disputes and other claims are recognised when the Company 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 Company 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.

Share based payments

The Company 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 Company 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 Company 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.

Financial instruments

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding Property, plant and equipment, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

Survitec Group Limited

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

2 Accounting policies (continued)

Financial instruments (continued)

Classification and measurement

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

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

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

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

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

Subsequent measurement

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

Financial assets at amortised cost

The Company only has financial assets classified at amortised cost. These assets are those held for contractual collection of cash flows, where those cash flows represent solely payments of principal and interest and are held at amortised cost. Any gains or losses arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line in the profit and loss account.

Financial liabilities at fair value through the profit or 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.

Other financial liabilities

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

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets of the Company include cash and cash equivalents, trade and other receivables and contract assets. Financial liabilities of the Company include trade and other payables, amounts due to group undertakings, obligations under leases and borrowings.

Impairment of financial assets

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

Survitec Group Limited

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

2 Accounting policies (continued)

Financial instruments (continued)

Derecognition

Financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Survitec Group Limited

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Critical accounting judgements

Recognition of deferred tax asset

Deferred tax assets arising in respect of temporary differences and post-April 2017 tax losses have not been recognised on the basis it is not considered likely that there will be taxable profits in future against which to utilise the assets. Consequently, the deferred tax asset is £Nil as at 31 December 2021 (31 December 2020: £Nil).

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

Key sources of estimation uncertainty

Provisions - Warranties

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 Company's survival products, there is significant estimation uncertainty of product liability matters, especially around the number of products that are still in existence under the warranty. 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 sensitivity analysis for these judgements and estimates is included in note 25.

Defined benefit pension scheme

The Company 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 estimations is included in note 26.

Survitec Group Limited

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

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

Lease liabilities

Estimates that are made in calculating the lease liability include determining the lease term (being defined as the non-cancellable period for which the Company has the right to use an underlying asset including optional period in which the Company is reasonably certain to exercise an option to extend) and selecting an appropriate discount factor.

The weighted average discount rate used in the calculation of lease liabilities is 4.6% (31 December 2020: 7.6%). If the individual discount rates underlying this average rate each increased by 0.5% the Company's lease liability would decrease by £900,000 (31 December 2020: decrease by £700,000). If the individual discount rates underlying this average rate each decreased by 0.5% the Company's lease liability would increase by £800,000 (31 December 2020: increase by £600,000).

Recoverability of investments in and amounts owed from group companies

The Company has invested in its subsidiaries through both an investment in share capital and loans. The value of the investment and recoverability of monies owed from group companies is considered together and is dependent on the recoverability of the Company's subsidiary's assets. The Company tests annually for impairment of investments and the expected credit loss of amounts owed by group undertakings or more frequently if there are indications that its investment might be impaired.

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

An impairment and expected credit loss review was carried out on the Company's investments in and amounts owing from its subsidiaries in line with IFRS 9. To consider the impairment of the Company's investment in subsidiaries and the expected credit loss of loans to subsidiaries the fair value of the subsidiary group was compared to the Company's combined investment in and the loan to the subsidiary group. On this basis, a reduction in expected credit loss of £89,646,000 (31 December 2020: £61,324,000) against intercompany receivables and further impairment of £142,394,000 (31 December 2020: £68,498,000) against investments has been recognised.

A sensitivity analysis has also been performed on the impairment review. If the enterprise values of the subsidiary group increased by £10,000,000 this would increase the reversal of impairment against intercompany receivables by £159,000 and reduce the impairment against investments by £5,213,000. If the enterprise values of the subsidiary group decreased by £10,000,000 this would decrease the reversal of impairment against intercompany receivables by £159,000 and increase the impairment against investments by £3,398,000.

Survitec Group Limited

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

4 Revenue

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

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Revenue from contracts with customers	103,785	86,923

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

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
UK	44,342	27,553
Europe	19,233	20,018
North America	25,545	25,075
Australasia	906	2,257
Rest of world	13,759	12,020
	103,785	86,923

5 Employee benefits expense

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

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Wages and salaries	30,680	28,494
Social security costs	3,133	2,936
Pension costs, defined contribution scheme	1,199	944
Other employee expense	50	74
Capitalised labour	(421)	(703)
	34,641	31,745

Capitalisation of staff costs related to those labour costs that relate solely to the development phase of a self-initiated project.

Survitec Group Limited

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

5 Employee benefits expense (continued)

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

	Year ended 31 December 2021 No.	Year ended 31 December 2020 No.
Management and administration	244	197
Production and sales	531	504
	<u>775</u>	<u>701</u>

6 Directors' remuneration

The Directors' remuneration for the year was as follows:

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Remuneration	2,407	1,915
Company contributions to pension schemes	105	45
	<u>2,512</u>	<u>1,960</u>

All amounts disclosed above relate to qualifying services as a director of the Company. The above includes payments made to directors upon their departure of £Nil (31 December 2020: £Nil).

During the year the number of Directors who were receiving benefits and share incentives was as follows:

	Year ended 31 December 2021 No.	Year ended 31 December 2020 No.
Accruing benefits under money purchase pension scheme	3	4

In respect of the highest paid director:

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Remuneration	859	871
	<u>859</u>	<u>871</u>

The highest paid director did not exercise any share based payments in the current or previous years.

Survitec Group Limited

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

7 Auditors' remuneration

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Audit of the financial statements	<u>1,109</u>	<u>1,168</u>
Other fees to auditors		
Taxation compliance services	161	127
All other tax advisory services	<u>3</u>	<u>-</u>
	<u>164</u>	<u>127</u>

8 Operating loss

Arrived at after charging/(crediting)

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Net warranty (releases)/costs	(2,292)	480
Depreciation expense	2,114	1,296
Depreciation on right of use assets - Property	849	372
Depreciation on right of use assets - Other	56	80
Amortisation expense	1,593	1,530
Research and development expenditure*	370	64
Foreign exchange losses/(gains)	215	(538)
Profit on disposal of property, plant and equipment	(50)	-
Impairment of investments in subsidiary undertakings	142,394	68,498
Impairment reversal against amounts due from group undertakings	(89,646)	(61,324)
Impairment/(impairment reversal) against trade receivables	<u>10</u>	<u>(29)</u>

*The research and development expenditure of £370,000 (31 December 2020: £64,000) is after capitalisation of £7,356,000 (31 December 2020: £5,738,000) of development costs.

Survitec Group Limited

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

9 Other operating income

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

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Government grants	577	556
R&D expenditure credits	690	291
Other operating income	426	101
	1,693	948

Government Grants relate 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.

10 Finance income

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Dividend income	118	463
Foreign exchange on intercompany financing transactions	-	2,749
Interest receivable from group undertakings	11,693	11,097
	11,811	14,309

Dividend income is received from Servaux Survitec SAS.

11 Finance costs

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Interest on bank overdrafts and borrowings	18	158
Interest paid to group undertakings	28,465	23,359
Foreign exchange on intercompany financing transactions	7,797	-
Net interest cost on pensions	26	-
Interest expense on leases	576	177
	36,882	23,694

Survitec Group Limited

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

12 Income tax

Income tax expense in the income statement

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Current taxation		
UK corporation tax adjustment to prior periods	68	(8)
Deferred taxation		
Arising from origination and reversal of temporary differences	-	6,567
Arising from changes in tax rates and laws	-	(788)
Adjustments in respect of previous periods	-	(1,235)
Total deferred taxation	<u>-</u>	<u>4,544</u>
Income tax expense in the income statement	<u>68</u>	<u>4,536</u>

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Loss before tax	<u>(81,245)</u>	<u>(25,771)</u>
Corporation tax at standard rate	(15,437)	(4,896)
Increase/(decrease) in current tax from adjustment for prior periods	68	(8)
Decrease due to deferred tax from adjustment for prior periods	-	(1,235)
Decrease from effect of revenues exempt from taxation	(17,054)	(55)
Increase from effect of expenses not deductible in determining taxable profit	27,561	579
Increase arising from group relief tax reconciliation	4,005	926
Deferred tax credit from unrecognised temporary difference	925	8,650
Deferred tax credit relating to changes in tax rates or laws	-	(788)
Impairment of investments and amounts due from group companies	-	1,363
Income tax expense recognised in the income statement	<u>68</u>	<u>4,536</u>

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

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

Survitec Group Limited

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

12 Income tax (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 January 2021 £ 000	At 31 December 2021 £ 000
Accelerated tax depreciation	-	-
Other items	-	-
Tax losses	-	-
Net tax assets/(liabilities)	-	-

Deferred tax movement during the prior year:

	At 1 January 2020 £ 000	Recognised in income £ 000	Recognised in equity £ 000	At 31 December 2020 £ 000
Accelerated tax depreciation	899	(899)	-	-
Other items	175	(175)	-	-
Tax losses	3,567	(3,470)	(97)	-
Net tax assets/(liabilities)	4,641	(4,544)	(97)	-

Unrecognised deferred tax assets £21,585,000 (31 December 2020: £14,833,000) have arisen in respect of tax losses and temporary differences. It should be noted that the unrecognised deferred tax asset in respect of tax losses includes both trading losses and amounts restricted under the Corporate Interest Restriction Regulations 2017. These deferred tax assets will be recognised when it is considered more likely than not that there would be sufficient taxable profits against which to utilise the losses. In addition, the deferred tax liability of £4,421,000 (31 December 2020: £2,091,000) in respect of the defined benefit Pension Scheme has not been recognised at the year end. This is in line with the accounts treatment adopted in Note 26 of these financial statements.

Survitec Group Limited

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

13 Intangible assets

	Computer Software £ 000	Development expenditure £ 000	Total £ 000
Cost			
At 1 January 2021	9,146	24,145	33,291
Additions	2,355	7,356	9,711
At 31 December 2021	<u>11,501</u>	<u>31,501</u>	<u>43,002</u>
Accumulated amortisation			
At 1 January 2021	3,215	17,637	20,852
Charge for the year	1,263	330	1,593
At 31 December 2021	<u>4,478</u>	<u>17,967</u>	<u>22,445</u>
Carrying amount			
At 31 December 2021	<u>7,023</u>	<u>13,534</u>	<u>20,557</u>
At 31 December 2020	<u>5,931</u>	<u>6,508</u>	<u>12,439</u>

Under the terms of the facilities agreement held by the ultimate parent entity Survitec Acquisitions Company Limited, a fixed and floating charge has been granted over the assets held by group companies that are subject to the finance recourse group. As at 31 December 2021, the total value of intangible assets held by the Company which are subject to such charge was £20,557,000 (31 December 2020: £12,439,000). £7,356,000 of developed technology was capitalised in the year (31 December 2020: £5,738,000) which included capital grants received of £1,432,000 (31 December 2020: £614,000).

Survitec Group Limited

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

14 Property, plant and equipment

	Land and buildings £ 000	Other property, plant and equipment £ 000	Total £ 000
Cost			
At 1 January 2021	7,129	17,134	24,263
Additions	5,127	1,988	7,115
Classified as held for sale or in a disposal group classified as held for sale	(225)	(469)	(694)
Disposals	-	(97)	(97)
At 31 December 2021	<u>12,031</u>	<u>18,556</u>	<u>30,587</u>
Accumulated depreciation			
At 1 January 2021	4,453	14,140	18,593
Charge for the year	530	1,584	2,114
Eliminated on disposal	-	(95)	(95)
Classified as held for sale or in a disposal group classified as held for sale	-	(354)	(354)
At 31 December 2021	<u>4,983</u>	<u>15,275</u>	<u>20,258</u>
Carrying amount			
At 31 December 2021	<u><u>7,048</u></u>	<u><u>3,281</u></u>	<u><u>10,329</u></u>
At 31 December 2020	<u><u>2,676</u></u>	<u><u>2,994</u></u>	<u><u>5,670</u></u>

Other property, plant and equipment includes computer equipment, motor vehicles and other plant and machinery.

Under the terms of the facilities agreement held by the ultimate parent entity Survitec Acquisitions Company Limited, a fixed and floating charge has been granted over the assets held by group companies that are subject to the finance recourse group. As at 31 December 2021, the total value of property, plant and equipment subject to such charge was £10,329,000 (31 December 2020: £5,670,000).

Included within the net book value of land and buildings above is £1,700,000 (31 December 2020: £2,099,000) in respect of freehold land and buildings and £577,000 (31 December 2020: £577,000) in respect of long leasehold land and buildings.

During the year, property with a net book value of £225,000 and associated property improvements with a net book value of £115,000 have been classified as held for sale as the property has been vacated and is being actively marketed for sale. The asset held for sale is recognised at net book value which is lower than the fair value less costs to sell.

Survitec Group Limited

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

15 Right of use assets

	Property £ 000	Other £ 000	Total £ 000
Cost			
At 1 January 2020	788	291	1,079
Additions	7,430	-	7,430
Disposals	<u>-</u>	<u>(30)</u>	<u>(30)</u>
At 31 December 2020	<u>8,218</u>	<u>261</u>	<u>8,479</u>
At 1 January 2021	8,218	261	8,479
Additions	4,202	44	4,246
Disposals	<u>(91)</u>	<u>(66)</u>	<u>(157)</u>
At 31 December 2021	<u>12,329</u>	<u>239</u>	<u>12,568</u>
Accumulated depreciation			
At 1 January 2020	203	86	289
Charge for year	372	80	452
Eliminated on disposal	<u>-</u>	<u>(28)</u>	<u>(28)</u>
At 31 December 2020	<u>575</u>	<u>138</u>	<u>713</u>
At 1 January 2021	575	138	713
Charge for the year	849	56	905
Eliminated on disposal	<u>(91)</u>	<u>(66)</u>	<u>(157)</u>
At 31 December 2021	<u>1,333</u>	<u>128</u>	<u>1,461</u>
Carrying amount			
At 31 December 2021	<u>10,996</u>	<u>111</u>	<u>11,107</u>
At 31 December 2020	<u>7,643</u>	<u>123</u>	<u>7,766</u>

Additions in the year relate to new leases signed on properties in Belfast and Ellesmere Port.

Survitec Group Limited

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

16 Investments

Subsidiaries	£ 000
Cost	
At 1 January 2020	222,504
Additions	<u>70,745</u>
At 31 December 2020	<u>293,249</u>
At 1 January 2021	293,249
Additions	<u>186,142</u>
At 31 December 2021	<u>479,391</u>
Provision for impairment	
At 1 January 2020	170,384
Provision	<u>68,498</u>
At 31 December 2020	<u>238,882</u>
At 1 January 2021	238,882
Impairment during the year	<u>142,394</u>
At 31 December 2021	<u>381,276</u>
Carrying amount	
At 31 December 2021	<u><u>98,115</u></u>
At 31 December 2020	<u><u>54,367</u></u>

The Company acquired 100% of the issued share capital of Blue Anchor Fire and Safety Limited on 1 November 2021 for consideration of £3,102,000.

The Company increased its investments in Survitec Group Norway AS, Oceana Air Sea Trading Company B.V., DSB Deutsche Schlauchboot GmbH and Survitec Safety Solutions Brazil Limited during the year as a result of debt rationalisations totalling £183,040,000.

Survitec Group Limited

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

16 Investments (continued)

Details of the subsidiaries as at 31 December are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
RFD Beaufort Limited* # *	Inflatable lifesaving, submarine escape & pilot flight equipment	The Aspect, Fourth Floor, 12 Finsbury Square, London, EC2A 1AS United Kingdom	100%	100%
RFD Limited* #	Dormant	The Aspect, Fourth Floor, 12 Finsbury Square, London, EC2A 1AS United Kingdom	100%	100%
Beaufort Air Sea Equipment Limited* #	Submarine escape & pilot flight equipment	The Aspect, Fourth Floor, 12 Finsbury Square, London, EC2A 1AS United Kingdom	100%	100%
Lifeguard Equipment Limited* #	Inflatable lifesaving equipment & specialised clothing	The Aspect, Fourth Floor, 12 Finsbury Square, London, EC2A 1AS United Kingdom	100%	100%
Shark Limited*	Sports Dormant	The Aspect, Fourth Floor, 12 Finsbury Square, London, EC2A 1AS United Kingdom	100%	100%
Nauticair Components Limited* #	Manufacture of engineering components and polymer products	The Aspect, Fourth Floor, 12 Finsbury Square, London, EC2A 1AS United Kingdom	100%	100%
RFD (Northern Ireland) Limited*	Dormant	Kingsway Dunmurry Belfast BT17 9AF United Kingdom	100%	100%

Survitec Group Limited

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

16 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
Survitec Pension Limited*	Group Trustee of Survitec Pension Scheme	The Aspect, Fourth Floor, 12 Finsbury Square, London, EC2A 1AS United Kingdom	0%	100%
Kirkhill (Dormant) Limited	Dormant	The Aspect, Fourth Floor, 12 Finsbury Square, London, EC2A 1AS United Kingdom	100%	100%
Survival-One Limited*	Sales and rental of survival suits to the offshore oil & gas industry	Findon Shore Findon Aberdeen AB12 3RL United Kingdom	100%	100%
Seaweather Aviation Services Limited	Sales & Service of aviation safety equipment	The Aspect, Fourth Floor, 12 Finsbury Square, London, EC2A 1AS United Kingdom	100%	100%
Seaweather Marine Services Limited	Dormant	The Aspect, Fourth Floor, 12 Finsbury Square, London, EC2A 1AS United Kingdom	100%	100%
Seaweather Holdings Limited*	Holding Company	The Aspect, Fourth Floor, 12 Finsbury Square, London, EC2A 1AS United Kingdom	100%	100%
Survitec (USA) Inc.*	Group Holding Company	1420 Wolf Creek Trail PO Box 359 Sharon Center Ohio OH 44274 United States of America	100%	100%
Survitec Products Inc.	Survival Sales of marine safety equipment	1420 Wolf Creek Trail PO Box 359 Sharon Center Ohio OH 44274 United States of America	100%	100%

Survitec Group Limited

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

16 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
RFD Inc.	Beaufort Inflatable lifesaving, submarine escape & pilot flight equipment	1420 Wolf Creek Trail PO Box 359 Sharon Center Ohio OH 44274 United States of America	100%	100%
DSB Schlauchboot GmbH*	Deutsche Inflatable boats & liferafts, special products	Angerweg 5 37632 Escherhausen Germany	100%	100%
Eurovinil S.p.A.*	Inflatable large buildings	liferrafts & inflatable buildings	100%	100%
Survitec Group (Australia) Pty Limited*	Holding Company	2 Burilda Close Wetherill Park NSW 2164 Australia	100%	100%
RFD (Australia) Pty Limited	Sales & service of marine equipment	safety of Wetherill Park NSW 2164 Australia	100%	100%
RFD Zealand Limited*	New Zealand Sales & service of marine equipment	safety of Lockhart Place, Mount Wellington PO Box 2386 Auckland New Zealand	100%	100%
RFD Limited*	Japan Sales & service of marine equipment	safety of 7-24 Shinyamashita 3-chome Naka-ku Yokohama Japan	80%	80%
Survitec Group (Singapore) Limited*	Sales & service of marine equipment	safety of 25 Senoko South Road Singapore 758081 Singapore	100%	100%
W H Brennan & Co (Private) Limited	Sales & service of marine equipment	safety of 25 Senoko South Road Singapore 758081 Singapore	100%	100%
W H Brennan (Hong Kong) Limited	Sales & service of marine equipment	safety of Room 1002, 10/F Sun Hing Industrial Building 22 Kinfat Street New Territories Tuen Mun Hong Kong	100%	100%

Survitec Group Limited

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

16 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
W H Brennan (Shanghai) Limited	Sales & service of marine safety equipment	Block 11 128 Dieqiao Road Shanghai 201315 China	100%	100%
Survitec Co. Limited	Sales & service of marine safety equipment	90 Hwajeonsandan 5-ro, Gangseo-gu Busan 46738 South Korea	100%	100%
RFD SAS*	Sales & service of marine safety equipment	Z1 les Estaches 214 Rue de Bruxelles 62730 Les Attaques France	100%	100%
Survitec Services & Distribution Limited*	Sales & service of marine safety equipment	The Aspect, Fourth Floor, 12 Finsbury Square, London, EC2A 1AS United Kingdom	100%	100%
Survitec Service & Distribution S.L.*	Sales & service of marine safety equipment	C/Jose Agustin Goytisilo 33 nave B1 08908 Hospitalet de Llobregat Barcelona Spain	100%	100%
Survitec Service & Distribution N.V.*	Sales & service of marine safety equipment	Vitshoekstraat 44 2030 Antwerpen Belgium	100%	100%
Survitec Service & Distribution GmbH	Sales & service of marine safety equipment	Winsberggring 8 D-22525 Hamburg Germany	100%	100%
Oceana Air Sea Trading Company B.V.*	Holding Company	Willem Barentszstraat 47-49 Rotterdam 3165 AA Albrandswaar Netherlands	100%	100%
Survitec Service & Distribution B.V.	Sales & service of marine safety equipment	Willem Barentszstraat 47-49 Rotterdam 3165 AA Albrandswaar Netherlands	0%	100%
Survitec Group (France) SAS*	Holding Company	Route de Chatenet 17210 Chevanceaux France	100%	100%
Survitec SAS	Inflatable lifesaving equipment	Route de Chatenet 17210 Chevanceaux France	100%	100%

Survitec Group Limited

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

16 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
DBC Safety Systems Limited*	Marine Inflatable lifesaving equipment	1689 Cliveden Avenue, Delta Vancouver V3M 6V5 British Columbia Canada	100%	100%
Survitec Norway AS*	Group Holding Company	Gangstovikeien 66 6009 Aalesund Norway	100%	100%
Survitec AS	Sales & service of marine safety equipment	Gangstovikeien 66 6009 Aalesund Norway	100%	100%
Survitec AB	Sales & service of marine safety equipment	Ovädersgaten 7 418 34 Göteborg Sweden	100%	100%
Risk Service US Inc.	Security Sales & service of offshore oil & gas related safety equipment	1640-B Brittmore Road Houston Texas 77043 United States of America	100%	100%
Serveaux Survitec SAS	Sales & service of marine safety equipment	765 Chemin du Littoral Anse de Saurmaty 13016 Marseille France	50%	50%
Survitec Solutions Limited*	Global Operation of global raft hire projects	The Aspect, Fourth Floor, 12 Finsbury Square, London, EC2A 1AS United Kingdom	100%	100%
Survitec International Limited*	Group Administration of group network service stations	The Aspect, Fourth Floor, 12 Finsbury Square, London, EC2A 1AS United Kingdom	100%	100%
Survitec Survival Craft Limited*	Sales & service of marine safety equipment	Findon Shore Findon Aberdeen AB12 3RL Scotland United Kingdom	100%	100%
Survitec Survival Craft Inc	Sales & service of marine safety equipment	5847 San Felipe San Felipe Plaza, Suite 1700 Houston, Texas TX77062 United States of America	100%	100%

Survitec Group Limited

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

16 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
Survitec Limited	Viscom Training & media services	Findon Shore, Findon Aberdeen AB12 3RL Scotland United Kingdom	100%	100%
Survitec Solutions Limited*	Safety Maritime products and services	Rua Bispo Lacerda 61/67 Del Castilho Rio de Janeiro Brazil	100%	100%
Survitec Solutions Inc.	Safety Maritime products and services	1689 Cliveden Avenue, Delta Vancouver V3M 6V5 British Columbia Canada	100%	100%
Survitec Solutions Panama S.A.*	Safety Maritime products and services	Int.Business Park Flexi Bodegas Unit #4 Panama Pacifico Panama	100%	100%
Survitec Solutions LLC	Safety US Maritime products and services	9400 New Century Drive Pasadena Texas 77507 United States of America	100%	100%
Survitec Solutions Australia Limited	Safety Pty Maritime products and services	2 Burilda Close Wetherill Park NSW 2164 Australia	100%	100%
Survitec Solutions Co. Limited	Safety China Technical Solutions	Block 11 128 Dieqiao Road Shanghai 201315 China	100%	100%
Survitec Solutions Kong Ltd	Safety Hong and services	Room 1104-6, 11th Floor Lu Plaza 2 Wing Yip Street Kwun Tong Kowloon Hong Kong	100%	100%
Survitec Solutions Co. Limited	Safety Korea Technical Solutions	90 Hwajeonsandan 5-ro, Gangseo-gu Busan 46738 South Korea	100%	100%
Survitec Solutions Malaysia Bhd.	Safety Sdn. Maritime products and services	18th Floor, 1 Sentral Jalan Rakyat, Kuala Lumpur Sentral Kuala Lumpur 50470 Malaysia	100%	100%

Survitec Group Limited

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

16 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
Survitec Solutions Singapore Limited	Safety Pte Maritime products and services	25 Senoko South Road Singapore 758081 Singapore	100%	100%
Survitec Solutions Belgium NV	Safety Maritime products and services	Vosseschijnstraat 44 2030 Antwerpen Antwerp Belgium	100%	100%
Survitec Solutions Limited*	Safety Cyprus Maritime products and services	Atlantis Building, Office 101, 1st Floor 2 Makariou III Ave, Mesa Yito Limassol CY-3036 Cyprus	100%	100%
Survitec Solutions Germany GmbH*	Safety Maritime products and services	1 Riedemannstr Bremerhaven 27572 Germany	100%	100%
Survitec Solutions Sole-Shareholder SA*	Safety Hellas Maritime products and services	D. Moutsopoulo 100, Piraeus 18541 Greece	100%	100%
Survitec Solutions Srl*	Safety Italy Maritime products and services	Corso Perrone 9N/19S Genova 16152 Italy	100%	100%
Survitec Solutions Netherlands BV	Safety Maritime products and services	Willem Barentszstraat 47-49 Rotterdam 3165 AA Albrandswaard Netherlands	100%	100%
Survitec Solutions Sp. z.o.o.*	Safety Poland Maritime products and services	UL. Plac Rodla 9 2nd Floor Szczecin 70-419 Poland	100%	100%
Survitec Solutions Portugal SUL*	Safety Maritime products and services	Fracção E, Zona Industrial do Carvalhinho Moita 2860-579 Portugal	100%	100%
Survitec Solutions SL	Safety Spain Maritime products and services	C/Jose Agustin Goytisilo 33 nave B1 08908 Hospitalet de Llobregat Barcelona Spain	100%	100%

Survitec Group Limited

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

16 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
Survitec Solutions Canarias SLU	Safety Maritime products and services	12 Cuzco Las Palmas de Gran Canaria 35008 Spain	100%	100%
Survitec Solutions Limited*	Safety Maritime products and services	The Aspect, Fourth Floor, 12 Finsbury Square, London, EC2A 1AS United Kingdom	100%	100%
Survitec Solutions Africa Limited*	Safety Maritime products and services	49 Island Circle, Riverhorse Valley Durban 4017 South Africa	100%	100%
Survitec Emniyet Leri LTD STI*	Turkey Maritime products and services	Abide-i Hürriyet Caddesi Bolkan Center C Blok No:211 K:3 Şişli İstanbul 34381 Turkey	100%	100%
Survitec Solutions Norway AS	Safety Holding Company	Strandveien 20 1366 Lysaker Norway	100%	100%
Survitec Solutions Co. Limited	Safety Maritime products and services	13th Floor Gontenyama Trust Tower 7-35 Kitashinagawa 4-chome Shinagawa-Ku 140-0001 Japan	100%	100%
Survitec Solutions Norway AS	Fire Technical Solutions	Strandveien 20 1366 Lysaker Baerum Oslo Norway	100%	100%
Survitec Solutions Sp. z.o.o	Fire Technical Solutions	Stobno 74 72-002 Stobno Poland	100%	100%
Survitec Solutions Singapore Limited	Fire Technical Solutions	25 Senoko South Road Singapore 758081 Singapore	100%	100%
Novenco Fighting A/S	Fire Technical Solutions	Lille Tombjerg Vej 30 5220 Odense SØ Denmark	100%	100%

Survitec Group Limited

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

16 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
Maritime Protection AS	Technical Solutions	Rigedalen 13 Kristiansand 4626 Norway	100%	100%
Survitec Solutions Limited	Fire Technical solutions China	Block 11 128 Dieqiao Road Shanghai 201315 China China	100%	100%
Survitec Solutions Co. Limited	Fire Maritime products and services Korea	90 Hwajeonsandan 5-ro, Gangseo-gu Busan 46738 South Korea	100%	100%
Survitec Solutions Co. Limited	Fire Japan	2-63 Imazunishihama-cho Nishinomiya-shi Hyogo	100%	100%
Survitec Equipment Trading and Installation LLC	Safety Maritime products and services	24th Damac Executive Height Bldg P.O.Box:12089 Tecom C Dubai	49%	49%
Battlefield Limited*	Sim	The Aspect, Fourth Floor 12 Finsbury Square London EC2A 1AS United Kingdom	100%	100%
Hansen Protection AS	Manufacturing, sale and rental of survival suits	Tykkemyr 27 Moss 1597 Norway	100%	0%
Lyngsøe Rainwear ApS	Sale of protective workwear	Hammershusvej 1B Herning 7400 Denmark	100%	0%
Biardo Suits BV	Survival Sale, service and rental of survival suits	De Trompet 2800 Heemserk 1967 Netherlands	100%	0%

Survitec Group Limited

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

16 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
Helippe ApS	Rental of protective suits for offshore windmills	Vesterhavsgade 145 Esbjerg 6700 Denmark	100%	0%
Helippe Limited	Rental of protective suits for offshore windmills	Fish Dock Service Quay, Humber Bridge Road Grimsby DN31 3AS United Kingdom	100%	0%
Helippe GmbH	Rental of protective suits for offshore windmills	Gorch Fock Strasse 103 Emden 2671 Germany	100%	0%
Helippe Holding Aps	Holding company	Vesterhavsgade 145 Esbjerg 6700 Denmark	100%	0%
Hansen Protection AB	Sale of protective suits and equipment	Lappesandsvägen 61 Hönö 475 41 Sweden	100%	0%
Hansen Protection Canada Limited	Dormant	24 Quindora Cres Dartmouth, Nova Scotia B2W6G3 Canada	100%	0%
Blue Anchor Fire and Safety Limited	Survival solutions for maritime industry	Hopetown, Boyndie, Banff, Aberdeenshire Scotland	100%	0%
Survitec Aerospace & Defence (UK) Limited*	Dormant	The Aspect, Fourth Floor 12 Finsbury Square London EC2A 1AS United Kingdom	100%	100%

Survitec Group Limited

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

16 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
Survitec Safety Maintenance and Trading LLC	Maritime products and services	The Aspect, Fourth Floor 12 Finsbury Square London EC2A 1AS United Kingdom	49%	0%

* indicates direct investment of Survitec Group Limited

The business assets and liabilities of RFD Beaufort, RFD Limited, Beaufort Air-Sea Equipment Limited, Lifeguard Equipment Limited and Nauticair Components Limited are owned by Survitec Group Limited and these companies trade as agents for that Company.

All investments are held in ordinary shares of the subsidiary undertakings.

Investment additions

100% of the issued share capital of Blue Anchor was acquired by Survitec Group Limited on 1 November 2021 for consideration of £3,102,000.

17 Inventories

	31 December 2021 £ 000	31 December 2020 £ 000
Raw materials and consumables	9,075	6,938
Work in progress	6,455	5,870
Finished goods and goods for resale	469	915
	15,999	13,723

No amount of inventory has been pledged as security for liabilities in either year.

Provisions against inventory have been created in the year totalling £167,000 (31 December 2020: £62,000) to raw materials and consumables used during the year. Provisions against inventory as at 31 December 2021 are £596,000 (31 December 2020: £582,000).

Survitec Group Limited

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

18 Trade and other receivables

	31 December 2021 £ 000	31 December 2020 £ 000
Trade receivables	9,287	13,132
Provision for impairment of trade receivables	<u>(40)</u>	<u>(35)</u>
Net trade receivables	9,247	13,097
Amounts owed by group undertakings	100,897	84,842
Prepayments	578	1,260
Other receivables	<u>8,274</u>	<u>7,069</u>
	<u><u>118,996</u></u>	<u><u>106,268</u></u>

Amounts due from group undertakings bear interest between 0% - 6% and are repayable on demand.

Before accepting any new customer, the Company assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically. There are two customers who each represent more than 5 per cent of the total balance of trade receivables (2020: two). The total balance owing from these two customers at 31 December 2021 is £1,545,000, (31 December 2020 is £6,038,000.)

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

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The default rate on receivables during the period is <1% (2020: <1%).

These amounts are due on demand and the Company has assessed as to whether the group undertakings have sufficient liquid resources to pay this balance immediately (please refer to note 3 for more detail). The total provision carried against these amounts is £11,044,000 (2020: £100,690,000) with a reversal of impairment of £89,646,000 (31 December 2020: £61,324,000) recognised as a credit to the income statement in the year.

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

Survitec Group Limited

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

18 Trade and other receivables (continued)

	31 December 2021 £'000	31 December 2020 £'000
Contract assets recognised at the start of the year	2,463	1,624
Revenue recognised in previous periods that were invoiced during the year	(2,463)	(1,624)
Revenue recognised during the year which will not be invoiced until after the year end	2,590	2,463
Balance at the end of the year	2,590	2,463

Amounts received in advance are expected to be invoiced in the year to 31 December 2021.

19 Cash and cash equivalents

	31 December 2021 £ 000	31 December 2020 £ 000
Cash at bank	11,203	8,373

20 Called up share capital

Allotted, called up and fully paid shares

	31 December 2021		31 December 2020	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	11,776	11,776	11,776	11,776

During December 2021, 3 new shares were issued to the immediate parent company, Survitec Holdings 1 Limited, with a nominal value of £1 each. The shares were issued at a premium of £492,404,000 in exchange for the waiver of debt owed to the immediate parent company by the Company.

Survitec Group Limited

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

21 Reserves

Share premium reserve

Share premium reserve represents the premium received above the par value on the issue of ordinary shares. The increase during the year is a result of the debt to equity conversion noted in Note 20.

Revaluation reserve

The revaluation reserve arose on the revaluation of certain fixed assets. Amounts representing the equivalent depreciation on the revalued element are transferred to retained earnings each year.

Other reserves

Other reserves includes cumulative goodwill written off to reserves prior to adoption of FRS 101. On first time adoption of FRS 101, the original accounting was elected to be retained.

Accumulated losses

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

Survitec Group Limited

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

22 Lease liabilities

For details of Right of Use Assets, see Note 15. 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 2021 £ 000	31 December 2020 £ 000
Within one year	394	435
Later than one year and not later than five years	2,296	1,410
Later than five years	7,471	6,182
Total lease liabilities (discounted)	<u>10,161</u>	<u>8,027</u>

Total cash outflows related to leases

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

	31 December 2021 £ 000	31 December 2020 £ 000
Payment		
Payment of capital element of lease liabilities	638	322
Interest	576	177
Total cash outflow	<u>1,214</u>	<u>499</u>

23 Trade and other payables

	31 December 2021 £ 000	31 December 2020 £ 000
Trade payables	12,753	9,823
Amounts owed to Group undertakings	171,986	504,007
Social security and other taxes	604	910
Other payables	2,224	2,127
Accrued expenses	4,978	5,968
	<u>192,545</u>	<u>522,835</u>

Amounts owed to Group undertakings are unsecured and repayable on demand. These balances carry an interest rate between 0% - 6% (31 December 2020: 0% - 6%).

Refer to note 20 for details of the issuance of shares and share premium arising as a result of the intercompany debt restructure during the year.

Survitec Group Limited

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

23 Trade and other payables (continued)

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

	31 December 2021 £'000	31 December 2020 £'000
Contract liabilities recognised at the start of the year	3,648	3,457
Revenue recognised that was included in contract liabilities at the beginning of the year	(3,648)	(3,457)
Amounts invoiced during the year which did not meet revenue recognition criteria during the year	6,104	3,648
Balance at the end of the year	6,104	3,648

Contract liabilities are expected to unwind within 12 months.

24 Loans and borrowings

	31 December 2021 £ 000	31 December 2020 £ 000
Non-current loans and borrowings		
Amounts owed to parent undertakings	-	4,820

	31 December 2021 £ 000	31 December 2020 £ 000
Current loans and borrowings		
Bank borrowings	-	947
Bank overdrafts	5,233	6,891
	5,233	7,838

Survitec Group Limited

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

25 Provisions for liabilities and charges

	Warranties	Dilapidations	Other	Total
	£ 000	£ 000	provisions	£ 000
			£ 000	
At 1 January 2021	10,265	667	381	11,313
Increase in existing provisions	293	2,201	-	2,494
Provisions used	(699)	-	-	(699)
Reclassification	-	(22)	-	(22)
Unused provision reversed	(1,999)	(381)	-	(2,380)
At 31 December 2021	<u>7,860</u>	<u>2,465</u>	<u>381</u>	<u>10,706</u>
Non-current liabilities	<u>-</u>	<u>2,233</u>	<u>-</u>	<u>2,233</u>
Current liabilities	<u>7,860</u>	<u>232</u>	<u>381</u>	<u>8,473</u>

	Warranties	Dilapidations	Other	Total
	£ 000	£ 000	provisions	£ 000
			£ 000	
At 1 January 2020	11,108	626	463	12,197
Increase in existing provisions	37	205	5	247
Provisions used	(967)	-	-	(967)
Unused provision reversed	-	(164)	-	(164)
Reclassification	87	-	(87)	-
At 31 December 2020	<u>10,265</u>	<u>667</u>	<u>381</u>	<u>11,313</u>
Non-current liabilities	<u>683</u>	<u>586</u>	<u>-</u>	<u>1,269</u>
Current liabilities	<u>9,582</u>	<u>81</u>	<u>381</u>	<u>10,044</u>

Due to the nature of critical safety products manufactured by Survitec, the Company could be exposed to warranty claims from customers and other affected third parties. 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. 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 this is regularly reviewed. As the warranty provision is a significant estimate it is particularly sensitive to movement in the number of units to be repaired or replaced, accordingly a sensitivity analysis of the key assumptions is shown below:

	No. of units replaced		
	-10%	0%	+10%
	£'000	£'000	£'000
No. of units repaired	-10% (963)	0% (373)	+10% 217
	0% (590)	-	-
	+10% (217)	-	-

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

'Other' includes provisions for legal costs.

Survitec Group Limited

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

26 Retirement benefit obligations

Defined contribution pension scheme

The Company operates a defined contribution pension scheme in respect of certain UK employees. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £1,062,000 (31 December 2020: £944,000).

Defined benefit pension schemes

In the UK the Company operates a defined benefit scheme, which provide benefits to members in the form of a guaranteed level of pension payable to the members. The assets of the scheme are held in independent trustee administered funds.

In the UK contributions to the scheme are charged to the income statement so as to spread the cost of providing pensions over the employees' working lives with the Company. 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 years. The most recent formal valuation was carried out as at 31 March 2020 by a qualified Actuary. Under the funding schedule agreed with the scheme Trustees, the Company aims to eliminate the current deficit over a period of 3 years from 31 March 2020.

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 Company does not recognise the surplus but recognises an additional liability due to minimum funding requirements. As at 31 December 2021, the minimum funding liability amounted to £1,400,000 (31 December 2020: £1,750,000).

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	31 December 2021	31 December 2020
	%	%
Rate of pension increase	3.65	3.50
Discount rate	1.95	1.40
Inflation assumption	3.30	2.85

Post retirement mortality assumptions

	31 December 2021	31 December 2020
	Years	Years
Current UK pensioners at retirement age - male	20.80	21.10
Current UK pensioners at retirement age - female	23.30	24.30
Future UK pensioners at retirement age - male	22.50	22.50
Future UK pensioners at retirement age - female	25.10	25.80

Survitec Group Limited

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

26 Retirement benefit obligations (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	31 December 2021 £ 000	31 December 2020 £ 000
Fair value of scheme assets	74,941	78,985
Present value of scheme liabilities	<u>(57,028)</u>	<u>(67,982)</u>
	17,913	11,003
Other amounts not recognised in the statement of financial position	<u>(19,313)</u>	<u>(13,332)</u>
Defined benefit pension scheme deficit	<u><u>(1,400)</u></u>	<u><u>(2,329)</u></u>

As the Company does not control the use of the pension asset, it has not been recognised in the financial statements. The Company has recognised £1,400,000 (31 December 2020: £2,329,000) of additional liability due to minimum funding requirements.

Scheme assets

Changes in the fair value of scheme assets are as follows:

	31 December 2021 £ 000	31 December 2020 £ 000
Fair value at start of the year	78,985	72,027
Interest income	1,069	1,480
Gain on plan assets, excluding amounts included in interest income	77	8,515
Employer contributions	949	761
Contributions by scheme participants	-	84
Benefits paid	<u>(6,139)</u>	<u>(3,882)</u>
Fair value at end of the year	<u><u>74,941</u></u>	<u><u>78,985</u></u>

Survitec Group Limited

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

26 Retirement benefit obligations (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	31 December 2021 £ 000	31 December 2020 £ 000
Cash and cash equivalents	1,732	4,987
Equity instruments	626	12,236
Debt instruments	72,130	61,281
Assets held by investment company	453	481
	74,941	78,985

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	31 December 2021 £ 000	31 December 2020 £ 000
Present value at start of the year	(67,982)	(63,799)
Current service cost	-	(145)
Past service cost	(48)	-
Actuarial gains/(losses) arising from changes in demographic assumptions	3,302	(226)
Actuarial gains/(losses) arising from changes in financial assumptions	2,961	(6,565)
Actuarial (losses)/gains arising from experience adjustments	(491)	224
Interest cost	(909)	(1,269)
Benefits paid	6,139	3,882
Contributions by scheme participants	-	(84)
Present value at end of the year	(57,028)	(67,982)

Amounts recognised in the income statement

	31 December 2021 £ 000	31 December 2020 £ 000
Amounts recognised in operating profit		
Current service cost	-	145
Past service cost	48	-
Recognised in arriving at operating profit	48	145
Amounts recognised in finance income or costs		
Net interest	26	-
Total recognised in the income statement	74	145

Survitec Group Limited

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

26 Retirement benefit obligations (continued)

Amounts taken to the Statement of Comprehensive Income

	31 December 2021 £ 000	31 December 2020 £ 000
Actuarial (gains)/losses arising from changes in demographic assumptions	(3,302)	226
Actuarial (gains)/losses arising from changes in financial assumptions	(2,961)	6,565
Actuarial losses/(gains) arising from experience adjustments	491	(224)
Gains on plan assets, excluding amounts included in interest income/(expense)	(77)	(8,515)
Changes in the effect of the asset ceiling	5,794	4,695
(Gains)/losses recognised in the Statement of Comprehensive Income	(55)	2,747

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	31 December 2021			31 December 2020		
Adjustment to discount rate	+ 0.25 £ 000	0.0% £ 000	- 0.25 £ 000	+ 0.25% £ 000	0.0% £ 000	- 0.25% £ 000
Present value of total obligation	54,679	57,028	59,523	65,017	67,982	71,089
	31 December 2021			31 December 2020		
Adjustment to rate of inflation (RPI)	+ 0.25 £ 000	0.0% £ 000	- 0.25 £ 000	+ 0.25% £ 000	0.0% £ 000	- 0.25% £ 000
Present value of total obligation	58,348	57,028	55,654	70,004	67,982	66,077
	31 December 2021		31 December 2020			
Adjustment to mortality age rating assumption	None £ 000	- 1 Year £ 000	None £ 000	- 1 Year £ 000	None £ 000	- 1 Year £ 000
Present value of total obligation	57,028	59,787	67,982	70,995		

Survitec Group Limited

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

26 Retirement benefit obligations (continued)

Maturity analysis of benefit payments

	Less than a year £ 000	Between 2-5 years £ 000	Between 5-10 years £ 000	Total £ 000
31 December 2021	2,504	10,104	13,501	26,109
31 December 2020	<u>2,482</u>	<u>9,831</u>	<u>13,603</u>	<u>25,916</u>

The average duration of the defined benefit obligation at the end of the year is 17.1 years (31 December 2020: 17.9 years).

The defined benefit pension plan is 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.

The Company ensures that the investment positions are managed within an asset-liability matching framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. The objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due.

The Company has not changed the processes used to manage its risks from previous periods. The Company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

Survitec Group Limited

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

27 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.

During the year some shares were acquired by parent company's employees however considerations paid was determined to be not less than the estimated grant date fair value of the Ordinary Shares. As such no IFRS 2 expense has been recognised in relation to these shares.

The total charge for the year for share-based payments related to equity-settled shares was £Nil (2020: £Nil).

28 Commitments

Capital commitments

The total amount contracted for in relation to property plant and equipment but not provided in the financial statements was £281,000 (31 December 2020: £1,800,000).

The total amount authorised in relation to property plant and equipment but not contracted for and not provided in the financial statements was £68,000 (31 December 2020: £384,000).

There were no capital commitments in respect of intangible fixed assets at the year end (31 December 2020: £Nil).

29 Contingent liabilities

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

The Company has guarantees and performance bonds amounting to £13,756,000 (31 December 2020: £5,391,000).

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

Survitec Group Limited

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

30 Related party transaction

Remuneration of key management personnel

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

	Year ended 31 December 2021 £ 000	Year ended 31 December 2020 £ 000
Short term employee benefits	2,407	2,374
Post employee benefits	87	57
	<u>2,494</u>	<u>2,431</u>

The above includes payments made to key management on their departure of £Nil (31 December 2020: £Nil).

Loans to key management outstanding at the year end totalled £2,697,000 (31 December 2020: £3,067,000). These amounts are recorded in other receivables.

31 Parent and ultimate parent undertaking

The Company's immediate parent is Survitec Holdings 1 Limited.

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

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