

Registration number: 00905173

Survitec Group Limited

Annual Report and Financial Statements

for the year ended 31 December 2022



Survitec Group Limited

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Survitec Group Limited

Company Information

Directors C H Sada
M B V Whittaker
R S Kledal
Jean-Francois Vingre

Company secretary J Henley-Price

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Survitec Group Limited

Strategic Report for the Year Ended 31 December 2022

The Directors present their Strategic Report for the year ended 31 December 2022.

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

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

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

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

The Group Strategy is to:

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

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

Section 172(1) statement

Directors' Duties

Please see the Strategic Report Section 172(1) Statement 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 Section Streamlined Energy and Carbon Reporting 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.

Survitec Group Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

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 head office and treasury function for the Survitec Group.

The Company is a resilient business with long term customer relationships which are supported by strong regulatory frameworks and by incumbent positions on major platforms. The Company's customers are principally larger organisations and enterprises who require robust and resilient solutions to meet the critical operational demands presented in the environments to which they operate in.

The key new product development, the Seahaven programme, which is a revolutionary slide-based rigid inflatable lifeboat, for the mass evacuation of passengers and crew from Cruise ships, passed heavy weather trials in February 2022 before its commercial launch in April 2022 at the Miami Seatrade Cruise Fair. It has also received Lloyds Register certificate of type approval in July 2022. Seahaven is the largest capacity evacuation system available.

The trading results of the Company for the year show revenue for the year of £91,967,000 (31 December 2021: £103,785,000) and loss for the year of £40,723,000 (31 December 2021: loss of £81,313,000). The movement in the loss for the current year was principally a result of a reduction in impairment charges, with an impairment of amounts owed by group undertakings of £9,035,000 (31 December 2021: impairment reversal of £89,646,000) and impairment of investment in subsidiary undertakings of £Nil (31 December 2021: £142,394,000). Please refer to Note 3 for a summary of results of the annual impairment review.

The remaining movement in the loss for the year is as a result of a reduction in turnover as well as increased expenditure as the Company encountered a significant number of cost challenges over the course of 31 December 2022 as the business and the industries we serve continued to recover from the effect of the COVID-19 pandemic in the first half of the year, which was then compounded with significant increases in inflation in the second half of the year. The Company's ability to then pass on price increases was challenging, thus eroding margins and the inflationary costs being absorbed by the Company. Management continues to focus on taking active steps to reduce costs through targeted procurement rationalisation and pricing initiatives, with the aim of improving selling price increases and lowering its overall cost base in a real time basis.

In addition, 2022 also saw increased spend on IT projects and consultancy services which are linked to delivering future transformation investment to drive long-term future performance. This investment shows the commitment of the Company in delivering future growth, through the development of new products and service offerings, whilst simultaneously improving profitability by investing in digital and operational transformation projects, with the aim of improving operational effectiveness and a reduced cost base.

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 2022 of £40,031,000 (31 December 2021: £81,245,000).

Survitec Group Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Adjusted EBITDA for the year ended 31 December 2022 is a loss of £18,259,000 (31 December 2021: profit of £1,186,000). Adjusted EBITDA for the year is calculated as follows:

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Operating loss	(34,549)	(56,174)
Add back: Depreciation and amortisation	4,820	4,612
Add back: Impairment of intangibles	2,435	-
Add back: Impairment of investment in subsidiary undertakings	-	142,394
Add back / Deduct: Impairment / (Impairment reversal) on amounts owed by group undertakings	9,035	(89,646)
Adjusted EBITDA	(18,259)	1,186

The results for the Company show that turnover for the year decreased by £12,088,000 largely within the Defence division, due to prior year having increased revenue from the personal protection product line which was non-recurring revenue that had been secured during the COVID-19 pandemic. The underlying defence division business excluding this non-recurring contract has continued to grow and the Marine division also saw continued revenue growth year on year.

The Company's Statement of Financial Position shows that the Company's Net Assets including the pension liability have decreased to £20,337,000 at 31 December 2022 from £60,796,000 at 31 December 2021 as a result of the loss for the year.

Refinancing Activity

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

In September 2022, the Group entered an international factoring arrangement ("ABL"). Under the terms of the agreement, the Group committed certain of its companies, to a non-recourse revolving receivables financing facility, under which the purchaser purchases all of the eligible receivables of the Seller (Group Companies), on an ongoing basis. During the period the Company sold £6,700,000 of trade receivables under the arrangement.

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

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

Survitec Group Limited

Strategic Report for the Year Ended 31 December 2022 (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 Group Limited. In addition to these principal risks, we continue to be exposed to other risks related to strategy, quality, IT, health & safety, supply chain, compliance & legal, operations, change management and people. These risks are subject to our normal procedures to identify, implement and oversee appropriate mitigation actions, supported by internal audit work to provide assurance.

Competitive Markets

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

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

Geopolitical and Inflation Risks

The war in Ukraine heightens inflation risks and challenges the global economy.

- **Risk drivers:** The negative effects of tensions between Russia and the West could cause prolonged negative effects on business investment and consumer spending. Combined with the disruptions to the energy and commodity supply, the war is likely to push up inflation for longer and impact global economic growth.
- **Impact:** Higher energy prices are one of the main factors which would directly impact production costs for manufacturing goods. Availability of gas exports, especially to Europe, could change if sanctions are tightened further. Supply chain pressures and raw material shortages create further disruption and delays plus an increase in the raw material cost base.
- **Mitigation:** The 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 2022 (continued)

Principal risks and uncertainties (continued)

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 £460,000 (31 December 2021: £293,000) were recognised. A total of £1,347,000 (31 December 2021: £699,000) was utilised during the year, a total of £1,977,000 (31 December 2021: £1,999,000) was released to the Income Statement, and therefore there remained a warranty provision of £4,996,000 at the year end (31 December 2021: £7,860,000). 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 26 for additional information.

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 Liferrafts, Immersion Suits & Rescue Boats.

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


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

Continuous project management of the 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.

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 and signed on its behalf on 28 September 2023 by:


.....
Jean-Francois Vingre
Director

Survitec Group Limited

Directors' Report for the Year Ended 31 December 2022

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

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 (resigned 2 November 2022)

C H Sada (appointed 31 March 2022)

R M Krisanda (resigned 7 November 2022)

M B V Whittaker

R S Kledal (appointed 10 November 2022)

L E McClelland (appointed 10 November 2022 and resigned 31 March 2023)

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

Jean-Francois Vingre (appointed 31 March 2023)

Business review

The loss after tax for the year ended 31 December 2022 is £40,723,000 (31 December 2021: £81,313,000). 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 2022 (31 December 2021: £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"). The Company is in a net asset position as at 31 December 2022 (31 December 2021: net asset position).

The assets of the Company and the shares that the parent company owns in the Company, are pledged as collateral under the Group's external bank loan and overdraft facilities ("the facilities"). This collateral would be at risk if a member of the 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 stating its 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 as required. This support includes its intercompany receivables which won't be recalled unless the Company has the ability to settle them.

Survitec Group Limited

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

Going concern (continued)

As at 31 December 2022, the Group had net current liabilities (31 December 2021: net current assets). The Group's financial statements for the year ended 31 December 2022 also reference a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern and therefore could impact Survitec Acquisition Company Limited's ability to provide continued financial support to the Company. Specifically, the sufficiency of the Group's liquidity and its ability to remain in compliance with its financial covenants is determined by assumptions that have been made regarding the pace at which the new management team i) can achieve planned improvements in revenues and gross margins; ii) deliver planned operational and commercial initiatives, which when taken together will drive improvements in profitability, and iii) can improve the Group's cash generation through improvements in working capital management, particularly through the normalisation of inventory levels. The Directors of the Group consider that a delay in the achievement or otherwise of these assumptions could impact on the Group's liquidity and its ability to remain in compliance with its financial covenants, and this therefore indicates the existence of a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern. The Group financial statements do not include adjustments that would result if the Group was unable to continue as a going concern.

The directors of the Company have reviewed the basis on which the Group's directors have concluded it is appropriate to prepare the Group financial statements on a going concern basis and are satisfied with this conclusion.

However, in view of the Company's reliance on a letter of support from the Group, these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Company's financial statements have been prepared on a going concern basis and the financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

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 74.4% (31 December 2021: 57.3%) 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.

Survitec Group Limited

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

Financial Risk Management (continued)

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.

In September 2022, the Company entered into a non-recourse revolving receivables financing facility to further aid the management of liquidity risk.

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 2022 (31 December 2021: £Nil).

Corporate governance and SECR reporting

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

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 strategic decisions. Employees are kept informed of any relevant information through regular management and employee review meetings, and through Group-wide briefings. Regular consultation is encouraged between Management and employees at each of the 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 the Survitec Acquisition Company Limited Annual Report and Financial Statements for details of how the Group, of which this Company is a member, engages with suppliers, customers and others in business relationships.

Future developments

Future developments have already been included in the Strategic Report.

Survitec Group Limited

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

Research and development

During the year, the Company has expensed £284,000 (31 December 2021: £370,000) on research programmes and has also capitalised £5,226,000 (31 December 2021: £5,315,000) in respect of product development projects and £6,055,000 (31 December 2021: £2,355,000) relating to IT transformation programmes. The Company received £Nil (31 December 2021: £1,432,000) of government grants in respect of development projects. Please refer to Notes 9 and 13.

An impairment charge of £2,435,000 has been recognised in the year against capitalised development expenditure relating to IT programmes following identification of impairment indicators in accordance with IAS 36.

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 and signed on its behalf on 28 September 2023 by:



.....
Jean-Francois Vingre
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 and signed on its behalf on 28 September 2023 by:



.....
Jean-Francois Vingre
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 2022 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, including 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: the Statement of Financial Position as at 31 December 2022; the Income Statement, Statement of Comprehensive Income and 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.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Company's ability to continue as a going concern. The Company has received a letter of support from Survitec Acquisition Company Limited (the Group) stating its 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 as required. This support includes its intercompany receivables which will not be recalled unless the Company has the ability to settle them. The Directors of the Company acknowledge that the most recent set of annual financial statements for the Group includes a material uncertainty in relation to going concern, and consequently the Group may not be able to provide working capital support to the Company when required. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' Report

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

In light of the knowledge and understanding of the 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:

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

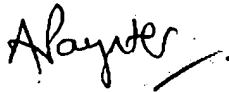
Other required reporting

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
28 September 2023

Survitec Group Limited

Income Statement for the Year Ended 31 December 2022

	Note	Year ended 31 December 2022 £ 000	(As restated) Year ended 31 December 2021 £ 000
Revenue	4	91,967	103,785
Changes in inventories of finished goods and work in progress		1,327	45
Other operating income	9	11,920	10,300
Raw materials and consumables		(49,582)	(53,107)
Employee benefits expense	5	(33,942)	(34,641)
Depreciation and amortisation expense	8	(4,820)	(4,612)
Impairment against trade receivables	8	(127)	(10)
(Impairment) / Reversal of impairment of amounts owed by group undertakings	8	(9,035)	89,646
Impairment of investments in subsidiary undertakings	8	-	(142,394)
Impairment of intangibles	8	(2,435)	-
Other operating expenses		<u>(39,822)</u>	<u>(25,186)</u>
Operating loss	8	<u>(34,549)</u>	<u>(56,174)</u>
Finance income	10	5,332	11,811
Finance costs	11	<u>(10,814)</u>	<u>(36,882)</u>
Net finance cost		<u>(5,482)</u>	<u>(25,071)</u>
Loss before tax		(40,031)	(81,245)
Income tax expense	12	<u>(692)</u>	<u>(68)</u>
Loss for the financial year		<u><u>(40,723)</u></u>	<u><u>(81,313)</u></u>

All operations are continuing.

The notes on pages 21 to 76 form an integral part of these financial statements.

Survitec Group Limited

Statement of Comprehensive Income for the Year Ended 31 December 2022

		Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Loss for the financial year		(40,723)	(81,313)
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations (net)	27	<u>264</u>	<u>55</u>
Total comprehensive expense for the year		<u>(40,459)</u>	<u>(81,258)</u>

Survitec Group Limited

(Registration number: 00905173)

Statement of Financial Position as at 31 December 2022

	Note	31 December 2022 £ 000	(As restated) 31 December 2021 £ 000
Assets			
Fixed assets			
Intangible assets	13	25,457	18,516
Property, plant and equipment	14	11,332	10,329
Right of use assets	15	12,210	11,107
Investments	16	98,115	98,115
Other non-current financial assets		432	-
		<u>147,546</u>	<u>138,067</u>
Current assets			
Inventories	17	17,008	15,999
Trade and other receivables	18	169,110	118,996
Income tax asset		2	22
Contract assets	18	2,607	2,590
Cash and cash equivalents	19	16,773	11,203
Assets held for sale	14	340	340
		<u>205,840</u>	<u>149,150</u>
Total assets		<u>353,386</u>	<u>287,217</u>
Equity and liabilities			
Equity			
Called up share capital	20	11,776	11,776
Share premium reserve	21	510,239	510,239
Revaluation reserve	21	496	496
Other reserves	21	(11,951)	(11,951)
Accumulated losses	21	(490,223)	(449,764)
Total equity		<u>20,337</u>	<u>60,796</u>
Creditors: amounts falling due within one year			
Lease liabilities	22	720	394
Trade and other payables	23	298,480	192,545
Contract liabilities	24	2,994	4,063
Loans and borrowings	25	9,368	5,233
Provisions for liabilities	26	5,399	8,473
		<u>316,961</u>	<u>210,708</u>

The notes on pages 21 to 76 form an integral part of these financial statements.


Survitec Group Limited

(Registration number: 00905173)

Statement of Financial Position as at 31 December 2022 (continued)

		31 December	(As restated)
	Note	2022	31 December
		£ 000	2021
			£ 000
Creditors: amounts falling due after more than one year			
Lease liabilities	22	12,463	9,767
Provisions for liabilities	26	897	2,233
Retirement benefit obligations	27	687	1,400
Deferred income		2,041	2,313
		<u>16,088</u>	<u>15,713</u>
Total liabilities		<u>333,049</u>	<u>226,421</u>
Total equity and liabilities		<u>353,386</u>	<u>287,217</u>

The financial statements on pages 16 to 76 were approved by the Board and signed on its behalf on 28 September 2023 by:


.....
Jean-Francois Vingre
Director

Survitec Group Limited

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

	Called up share capital £ 000	Share premium £ 000	Revaluation reserve £ 000	Other reserves £ 000	Accumulated losses £ 000	Total £ 000
At 1 January 2022	11,776	510,239	496	(11,951)	(449,764)	60,796
Loss for the financial year	-	-	-	-	(40,723)	(40,723)
Other comprehensive income	-	-	-	-	264	264
Total comprehensive expense	-	-	-	-	(40,459)	(40,459)
At 31 December 2022	<u>11,776</u>	<u>510,239</u>	<u>496</u>	<u>(11,951)</u>	<u>(490,223)</u>	<u>20,337</u>

	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>

The notes on pages 21 to 76 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 2022

1 General information

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

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

Aviation Industrial Park
Eric Fountain Road
Ellesmere Port
England
CH65 1AX

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 Acquisition Company Limited consolidated group (the 'Survitec Group'), of which the Company is a member.

2 Accounting policies

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.

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. The key accounting judgements and estimates applied in the preparation of these financial statements are set out in Note 3.

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, Aviation Industrial Park, Eric Fountain Road, Ellesmere Port, England, CH65 1AX.

Survitec Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (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 IFRS 101:

- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 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), and;
 - v) 134 – 136 (capital management disclosures).
- 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.

Survitec Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (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 "Group"). The Company is in a net asset position as at 31 December 2022 (31 December 2021: net asset position).

The assets of the Company and the shares that the parent company owns in the Company, are pledged as collateral under the Group's external bank loan and overdraft facilities ("the facilities"). This collateral would be at risk if a member of the 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 stating its 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 as required. This support includes its intercompany receivables which won't be recalled unless the Company has the ability to settle them.

As at 31 December 2022, the Group had net current liabilities (31 December 2021: net current assets). The Group's financial statements for the year ended 31 December 2022 also reference a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern and therefore could impact Survitec Acquisition Company Limited's ability to provide continued financial support to the Company. Specifically, the sufficiency of the Group's liquidity and its ability to remain in compliance with its financial covenants is determined by assumptions that have been made regarding the pace at which the new management team i) can achieve planned improvements in revenues and gross margins; ii) deliver planned operational and commercial initiatives, which when taken together will drive improvements in profitability, and iii) can improve the Group's cash generation through improvements in working capital management, particularly through the normalisation of inventory levels. The Directors of the Group consider that a delay in the achievement or otherwise of these assumptions could impact on the Group's liquidity and its ability to remain in compliance with its financial covenants, and this therefore indicates the existence of a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern. The Group financial statements do not include adjustments that would result if the Group was unable to continue as a going concern.

The directors of the Company have reviewed the basis on which the Group's directors have concluded it is appropriate to prepare the Group financial statements on a going concern basis and are satisfied with this conclusion.

However, in view of the Company's reliance on a letter of support from the Group, these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Company's financial statements have been prepared on a going concern basis and the financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Survitec Group Limited

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

2 Accounting policies (continued)

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

Minor amendments to IFRSs:

None of the standards, interpretations and amendments effective for the first time from 1 January 2022 have had a material effect on the financial statements.

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

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

Changes in accounting policy

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

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

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 re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income' or 'finance costs'. All other foreign exchange gains and losses are presented in the income statement within 'Other operating expenses'.

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

Survitec Group Limited

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

2 Accounting policies (continued)

Revenue Recognition

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

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

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

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. Revenue is recognised over time in case of longer term contracts or where the performance obligation is satisfied over time.

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 period of the installation service and revenue in respect of training is recognised over the period of the training.

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.

Design revenue

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

Interest income

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

Survitec Group Limited

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

2 Accounting policies (continued)

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, cost recharges 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.

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) 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.

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.

Survitec Group Limited

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

2 Accounting policies (continued)

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except when an item of income or expense is recognised as Other Comprehensive Income, then the attributable tax is also recognised directly in Other Comprehensive Income.

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

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

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Survitec Group Limited

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

2 Accounting policies (continued)

Intangible Assets

Developed technology

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

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

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

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

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

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

Patents, trademarks, brands and other intangibles

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

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.

Survitec Group Limited

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

2 Accounting policies (continued)

Property, plant and equipment

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

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

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% Straight-line
Plant and machinery	5-25% Straight-line
Computer equipment	20-33% Straight-line
Motor vehicles	20-33% Straight-line
Survival suits	8-10% Straight-line

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

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

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

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

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. Assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Survitec Group Limited

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

2 Accounting policies (continued)

Investments

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

Inventories

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

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

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

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected 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 loans and 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.

Survitec Group Limited

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

2 Accounting policies (continued)

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Leases

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

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

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

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 2022 (continued)

2 Accounting policies (continued)

Defined benefit pension obligation

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

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

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

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

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

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

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

Any asset resulting from the calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan. Where the 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 Company has an unconditional right under the scheme rules to reduced contributions in future or obtain refunds from the schemes in accordance with IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

Defined contribution pension obligation

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

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

Survitec Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (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 the Company 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 Group there are a number of properties under repairing lease arrangements requiring the properties to be reinstated to their original state when vacating the property. A provision is recognised for the full value of the reparation to the buildings' original configuration. The provision is estimated using third party valuations from prior periods, 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

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 and borrowings.

Initial recognition

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

Survitec Group Limited

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

2 Accounting policies (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.

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.

Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Where the Company has entered into a factoring arrangement, the financial assets are derecognised at the point of entering into the arrangement.

Survitec Group Limited

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

2 Accounting policies (continued)

Financial liabilities

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

Fair value of financial instruments

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

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 2022 (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

Call option valuation

As part of the Group refinancing steps that occurred in December 2022, the Company advanced £30,000,000 through an intercompany loan to its subsidiary, Survitec Safety Solutions Norway AS. In consideration for the intercompany loan, Survitec Safety Solutions Services Norway AS has granted the Company a call option over its life-raft assets. The call option is a commitment to contribute capital to another Group company, Ocean Newco 2 Limited in the form of either the payment of £30,000,000 of cash or an instruction by the Company to Survitec Solutions Services Norway AS to give up the life-raft assets in return for negligible consideration. This obligation is contingent on whether conversion criteria outside of the Company's control takes place and therefore not deemed to be within the scope of IFRS 9, with no value consequently determined in respect of the call option. Further detail of the call option and Group refinancing steps are included in note 16.

Survitec Group Limited

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

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

Key sources of estimation uncertainty

Impairment of intangibles and property, plant and equipment

The Company tests at least annually whether non-current assets have suffered any impairment, in accordance with its accounting policies. The carrying amount of a CGU is compared to its recoverable amount, being the higher of value in use and fair value less costs to sell, to determine if an impairment exists. In assessing fair value, the Company gives consideration to the likely terminal value using a discounted cashflow. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any impairment. Long term growth rates and discount rate are sensitised when evaluating the value of any impairment.

In accordance with IAS 36, intangibles not yet brought into use are required to be tested for impairment annually. The results of this assessment are included in Note 13.

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 26.

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 27.

Lease liabilities

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

The weighted average discount rate used in the calculation of lease liabilities is 5.3% (31 December 2021: 4.6%). If the individual discount rates underlying this average rate each increased by 0.5% the Company's lease liability would decrease by £992,000 (31 December 2021: decrease by £900,000). If the individual discount rates underlying this average rate each decreased by 0.5% the Company's lease liability would increase by £1,084,000 (31 December 2021: increase by £800,000).

Survitec Group Limited

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

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

Recoverability of investments and amounts owed from Group undertakings

Management have performed an impairment assessment of the investments held by the Company, comparing the carrying value to the higher of the Company's value in use and fair value less costs to sell. This has resulted in an impairment being recognised in the income statement amounting to £Nil (31 December 2021: £142,394,000).

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 exists. The carrying amount of the Company's intercompany balances are compared to its recoverable amount to determine if an impairment 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, an increase in expected credit loss of £9,035,000 (31 December 2021: a reduction in expected credit loss of £89,646,000) against intercompany receivables and further impairment of £Nil (31 December 2021: £142,394,000) 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 decrease the impairment against intercompany receivables by £95,000 (31 December 2021: increase the reversal of impairment by £159,000) and reduce the impairment against investments by £Nil (31 December 2021: £5,213,000). If the enterprise values of the subsidiary group decreased by £10,000,000 this would increase the impairment against intercompany receivables by £95,000 (31 December 2021: decrease the reversal of impairment by £159,000) and increase the impairment against investments by £Nil (31 December 2021: £3,398,000).

Survitec Group Limited

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

4 Revenue

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

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Revenue from contracts with customers	91,967	103,785

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

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
UK	23,289	44,342
Europe	28,540	19,233
North America	27,519	25,545
Asia and Oceania	11,446	13,759
Rest of world	1,173	906
	91,967	103,785

5 Employee benefits expense

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

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Wages and salaries	30,350	30,680
Social security costs	3,442	3,133
Pension costs, defined contribution scheme	1,101	1,199
Other employee expense	-	50
Capitalised labour	(951)	(421)
	33,942	34,641

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 2022 (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 2022 No.	Year ended 31 December 2021 No.
Management and administration	280	244
Production and sales	452	531
	<u>732</u>	<u>775</u>

6 Directors' remuneration

The Directors' remuneration for the year was as follows:

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Remuneration	1,663	2,407
Company contributions to pension schemes	100	105
	<u>1,763</u>	<u>2,512</u>

All amounts disclosed above relate to qualifying services as a director of the Company. The above excludes payments made to directors upon their departure of £43,000 (31 December 2021: £Nil).

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

	Year ended 31 December 2022 No.	Year ended 31 December 2021 No.
Accruing benefits under money purchase pension scheme In respect of the highest paid director:	<u>5</u>	<u>3</u>

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Remuneration	577	859
Company contributions to money purchase pension schemes	48	-
	<u>625</u>	<u>859</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 2022 (continued)

7 Auditors' remuneration

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Audit of the financial statements	2,074	1,108
Other fees to auditors		
Taxation compliance services	89	161
All other tax advisory services	18	3
	107	164

8 Operating loss

Arrived at after (crediting)/charging:

	Notes	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Net warranty releases	26	(1,517)	(2,292)
Depreciation expense	14	1,804	2,114
Depreciation on right of use assets - Property	15	1,064	849
Depreciation on right of use assets - Other	15	47	56
Amortisation expense	13	1,905	1,593
Research and development expenditure*		284	370
Foreign exchange losses		95	215
Profit on disposal of property, plant and equipment	14	-	(50)
Impairment loss on capitalised R&D expenditure	13	2,435	-
Impairment of investments in subsidiary undertakings	16	-	142,394
Impairment / (Impairment reversal) against amounts due from group undertakings	18	9,035	(89,646)
Impairment against trade receivables		127	10

*The research and development expenditure of £284,000 (31 December 2021: £370,000) is after capitalisation of £5,226,000 (31 December 2021: £7,356,000) of costs that relate solely to the development phase of a self-initiated project.

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

Survitec Group Limited

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

9 Other operating income

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

	Year ended 31 December 2022 £ 000	(As restated) Year ended 31 December 2021 £ 000
Government grants	444	577
R&D expenditure credits	780	690
Other operating income	1,058	426
Management recharge income	9,638	8,607
	<u>11,920</u>	<u>10,300</u>

Government grants in the year relate to income for promoting investment and increasing employment in Northern Ireland. In prior year, government grants related to COVID-19 support measures made available by government and grants for new product development. These schemes have been utilised to compensate for staff costs and amounts received have been recognised in the income statement in the same period as the costs to which they relate.

R&D credits are mainly relating to product research and development work in Dunmurry.

Other operating income includes cost recharges to other defence entities and rebates.

Management recharge income represents compensation to the Company for the use of its resources by other entities within the Survitec Group.

Deferred income represents government grants relating to purchase of intangible assets. These will be credited to profit and loss on straight line basis over the expected life of the related asset.

Survitec Group Limited

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

10 Finance income

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
External interest income	96	-
Dividend income	-	118
Foreign exchange on intercompany financing transactions	1,325	-
Interest receivable from group undertakings	3,911	11,693
	<u>5,332</u>	<u>11,811</u>

11 Finance costs

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Interest on bank overdrafts and borrowings	11	18
Interest paid to group undertakings	10,268	28,465
Foreign exchange on intercompany financing transactions	-	7,797
Net interest cost on pensions	26	26
Interest expense on leases	509	576
	<u>10,814</u>	<u>36,882</u>

Survitec Group Limited

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

12 Income tax expense

Income tax expense in the income statement

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Current taxation		
Overseas tax	3	68
Deferred taxation		
Adjustments in respect of previous periods	689	-
Income tax expense in the income statement	692	68

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK (31 December 2021: higher than the standard rate of corporation tax in the UK) of 19% (31 December 2021: 19%).

The differences are reconciled below:

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Loss before tax	(40,031)	(81,245)
Corporation tax at standard rate	(7,547)	(15,437)
Decrease from effect of revenues exempt from taxation	-	(17,055)
Increase from effect of expenses not deductible in determining taxable profit/(loss)	2,613	27,561
Increase arising from group relief tax reconciliation	1,610	4,005
Increase arising from overseas tax suffered	3	68
Increase due to deferred tax from adjustment for prior periods	689	-
Deferred tax expense from unrecognised temporary difference	3,324	925
Income tax expense recognised in the income statement	692	67

The average tax rate for the current period is 19% (31 December 2021: 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, its effect has been considered within these financial statements.

Survitec Group Limited

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

12 Income tax expense (continued)

Deferred tax

Deferred taxation recognised in the financial statements:

	At 31 December 2022 £ 000	At 31 December 2021 £ 000
Deferred tax asset	-	-
Deferred tax (liability)	-	-
Total deferred tax asset / (liability)	-	-

Deferred taxation not recognised:

	At 31 December 2022 £ 000	At 31 December 2021 £ 000
Temporary differences	(715)	(3,246)
Tax losses	24,277	20,410
	23,562	17,164

Unrecognised deferred tax assets £26,370,000 (31 December 2021: £21,585,000) 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 £2,808,000 (31 December 2021: £4,421,000) in respect of the Defined Benefit Pension Scheme has not been recognised at the year end. This is in line with the accounting treatment adopted in Note 27 of these financial statements.

Survitec Group Limited

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

13 Intangible assets

	Computer Software and other intangible assets £ 000	Development expenditure £ 000	Total £ 000
Cost			
At 1 January 2022 (as restated)	11,501	29,460	40,961
Additions	6,055	5,226	11,281
At 31 December 2022	<u>17,556</u>	<u>34,686</u>	<u>52,242</u>
Accumulated amortisation			
At 1 January 2022	4,478	17,967	22,445
Charge for the year	1,828	77	1,905
Impairment	2,435	-	2,435
At 31 December 2022	<u>8,741</u>	<u>18,044</u>	<u>26,785</u>
Carrying amount			
At 31 December 2022	<u>8,815</u>	<u>16,642</u>	<u>25,457</u>
At 31 December 2021 (as restated)	<u>7,023</u>	<u>11,493</u>	<u>18,516</u>

Under the terms of the facilities agreement held by the intermediary 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 2022, the total value of intangible assets held by the Company which are subject to such charge was £25,457,000 (31 December 2021: £18,516,000). £5,226,000 of product development projects were capitalised in the year (31 December 2021: £5,315,000) which included capital grants received of £Nil (31 December 2021: £1,432,000). The Company has also capitalised £6,055,000 (31 December 2021: £2,355,000) relating to IT transformation programmes. Specific impairment assessments have been performed across a number of developed technology projects where impairment indicators have been identified in accordance with IAS 36. This has resulted in an impairment charge of £2,435,000 being recognised in the year (31 December 2021: £Nil).

Survitec Group Limited

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

14 Property, plant and equipment

	Land and buildings £ 000	Other property, plant and equipment £ 000	Total £ 000
Cost			
At 1 January 2022	12,031	18,556	30,587
Additions	204	2,603	2,807
Disposals	-	(5,827)	(5,827)
At 31 December 2022	<u>12,235</u>	<u>15,332</u>	<u>27,567</u>
Accumulated depreciation			
At 1 January 2022	4,983	15,275	20,258
Charge for the year	625	1,179	1,804
Eliminated on disposal	-	(5,827)	(5,827)
At 31 December 2022	<u>5,608</u>	<u>10,627</u>	<u>16,235</u>
Carrying amount			
At 31 December 2022	<u>6,627</u>	<u>4,705</u>	<u>11,332</u>
At 31 December 2021	<u>7,048</u>	<u>3,281</u>	<u>10,329</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 intermediary 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 2022, the total value of property, plant and equipment subject to such charge was £11,332,000 (31 December 2021: £10,329,000).

Included within the net book value of land and buildings above is £1,536,000 (31 December 2021: £1,700,000) in respect of freehold land and buildings and £5,091,000 (31 December 2021: £5,348,000) in respect of leasehold improvements.

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

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

Survitec Group Limited

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

15 Right of use assets

	Property £ 000	Other £ 000	Total £ 000
Cost			
At 1 January 2021	8,218	261	8,479
Additions	4,202	44	4,246
Disposals	(91)	(66)	(157)
At 31 December 2021	<u>12,329</u>	<u>239</u>	<u>12,568</u>
At 1 January 2022	12,329	239	12,568
Additions	3,727	33	3,760
Disposals	(1,546)	(121)	(1,667)
At 31 December 2022	<u>14,510</u>	<u>151</u>	<u>14,661</u>
Accumulated depreciation			
At 1 January 2021	575	138	713
Charge for year	849	56	905
Eliminated on disposal	(91)	(66)	(157)
At 31 December 2021	<u>1,333</u>	<u>128</u>	<u>1,461</u>
At 1 January 2022	1,333	128	1,461
Charge for the year	1,064	47	1,111
Eliminated on disposal	-	(121)	(121)
At 31 December 2022	<u>2,397</u>	<u>54</u>	<u>2,451</u>
Carrying amount			
At 31 December 2022	<u>12,113</u>	<u>97</u>	<u>12,210</u>
At 31 December 2021	<u>10,996</u>	<u>111</u>	<u>11,107</u>

Survitec Group Limited

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

16 Investments

Subsidiaries	£ 000
Cost	
At 1 January 2021	293,249
Additions	<u>186,142</u>
At 31 December 2021	<u>479,391</u>
At 1 January 2022	<u>479,391</u>
At 31 December 2022	<u>479,391</u>
Provision for impairment	
At 1 January 2021	238,882
Impairment during the year	<u>142,394</u>
At 31 December 2021	<u>381,276</u>
At 1 January 2022	<u>381,276</u>
At 31 December 2022	<u>381,276</u>
Carrying amount	
At 31 December 2022	<u><u>98,115</u></u>
At 31 December 2021	<u><u>98,115</u></u>

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

Ocean Newco 1 Limited used the proceeds received to subscribe for a Convertible Loan Note issued at par value by Ocean Newco 2 Limited. The convertible loan is guaranteed by the Group parent, Ark Topco Limited. The Notes have a term of 364 days. Under the terms of the Convertible Loan Note agreement, Ocean Newco 2 Limited shall be obligated to repay to Ocean Newco 1 Limited the Principle Face Value plus any accrued interest and capital on the Notes on the termination date. The loan notes have converted into equity in Ark TopCo. Limited at post balance sheet date.

The Company received funding of £30,000,000 from its wholly owned subsidiary, Ocean Newco 2 Limited. The Company used these funds to advance an intercompany loan to its subsidiary, Survitec Safety Solutions Norway AS. In consideration for the intercompany loan, Survitec Solutions Services Norway AS has granted the Company a call option over the Company's life-raft assets.

The call option is a commitment to contribute capital to Ocean Newco 2 Limited in the form of either the payment of £30,000,000 of cash or an instruction by the Company to Survitec Solutions Services Norway AS to give up the life-raft assets in return for negligible consideration. This obligation is contingent and not within the scope of IFRS 9. In July 2023 the loan notes were converted making the option forfeited post year end.

Survitec Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (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	
			2022	2021
RFD Beaufort Limited # *	Inflatable lifesaving, submarine escape & pilot flight equipment	Aviation Industrial Park, Eric Fountain Road, Ellesmere Port, CH65 1AX United Kingdom	100%	100%
RFD Limited* #	Dormant	Aviation Industrial Park, Eric Fountain Road, Ellesmere Port, CH65 1AX United Kingdom	100%	100%
Beaufort Air Sea Equipment Limited* #	Submarine escape & pilot flight equipment	Aviation Industrial Park, Eric Fountain Road, Ellesmere Port, CH65 1AX United Kingdom	100%	100%
Lifeguard Equipment Limited* #	Inflatable lifesaving equipment & specialised clothing	Aviation Industrial Park, Eric Fountain Road, Ellesmere Port, CH65 1AX United Kingdom	100%	100%
Shark Sports Limited*	Dormant	Aviation Industrial Park, Eric Fountain Road, Ellesmere Port, CH65 1AX United Kingdom	100%	100%
Nauticair Components Limited* #	Manufacture of engineering components and polymer products	Aviation Industrial Park, Eric Fountain Road, Ellesmere Port, CH65 1AX United Kingdom	100%	100%
RFD (Northern Ireland) Limited*	Dormant	Kingsway Dunmurry Belfast BT17 9AF United Kingdom	100%	100%
Kirkhill (Dormant) Limited	Dormant	Aviation Industrial Park, Eric Fountain Road, Ellesmere Port, CH65 1AX United Kingdom	100%	100%

Survitec Group Limited

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

16 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2022	2021
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	Aviation Industrial Park, Eric Fountain Road, Ellesmere Port, CH65 1AX United Kingdom	100%	100%
Seaweather Marine Services Limited	Dormant	Aviation Industrial Park, Eric Fountain Road, Ellesmere Port, CH65 1AX United Kingdom	100%	100%
Seaweather Holdings Limited*	Holding Company	Aviation Industrial Park, Eric Fountain Road, Ellesmere Port, CH65 1AX United Kingdom	100%	100%
Survitec Group (USA) Inc.*	Holding Company	1420 Wolf Creek Trail PO Box 359 Sharon Center Ohio OH 44274 United States of America	100%	100%
Survitec Survival Products Inc.	Sales of marine safety equipment	1420 Wolf Creek Trail PO Box 359 Sharon Center Ohio OH 44274 United States of America	100%	100%
RFD Beaufort Inc.	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 Deutsche Schlauchboot GmbH*	Inflatable liferafts, boats & special products	Angerweg 5 37632 Escherhausen Germany	100%	100%
Eurovinil S.p.A.*	Inflatable liferafts & large inflatable buildings	Via Genova 5 58100 Grosseto Italy	100%	100%

Survitec Group Limited

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

16 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2022	2021
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 safety equipment	2 Burilda Close Wetherill Park NSW 2164 Australia	100%	100%
RFD New Zealand Limited*	Sales & service of marine safety equipment	Lockhart Place, Mount Wellington PO Box 2386 Auckland New Zealand	100%	100%
RFD Japan Limited*	Sales & service of marine safety equipment	7-24 Shinyamashita 3-chome Naka-ku Yokohama Japan	80%	80%
Survitec Group (Singapore) Pte Limited*	Sales & service of marine safety equipment	25 Senoko South Road Singapore 758081 Singapore	100%	100%
W H Brennan & Co (Private) Limited	Sales & service of marine safety equipment	25 Senoko South Road Singapore 758081 Singapore	100%	100%
W H Brennan (Hong Kong) Limited	Sales & service of marine safety equipment	Room 1002, 10/F Sun Hing Industrial Building 22 Kinfat Street New Territories Tuen Mun Hong Kong	100%	100%
W H Brennan (Shanghai) Limited	Sales & service of marine safety equipment	Block 11 128 Dieqiao Road Shanghai 201315 China	100%	100%
Survitec Korea Co. Limited	Sales & service of marine safety equipment	90 Hwajeonsandan 5-ro, Gangseo-gu Busan 46738 South Korea	100%	100%
RFD France SAS*	Sales & service of marine safety equipment	Z1 les Estaches 214 Rue de Bruxelles 62730 Les Attaques France	100%	100%

Survitec Group Limited

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

16 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2022	2021
Survitec Services & Distribution Limited*	Sales & service of marine safety equipment	Aviation Industrial Park, Eric Fountain Road, Ellesmere Port, CH65 1AX 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	Winsbergring 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 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%
DBC Marine Safety Systems Limited*	Inflatable lifesaving equipment	1689 Cliveden Avenue, Delta Vancouver V3M 6V5 British Columbia Canada	100%	100%
Survitec Group Norway AS*	Holding Company	Gangstovikeien 66 6009 Aalesund Norway	100%	100%
Survitec Norway AS	Sales & service of marine safety equipment	Gangstovikeien 66 6009 Aalesund Norway	0%	100%
Survitec Sweden AB	Sales & service of marine safety equipment	Ovådersgaten 7 418 34 Göteborg Sweden	100%	100%

Survitec Group Limited

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

16 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2022	2021
Risk Security Service US Inc.	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 Global Solutions Limited*	Operation of global raft hire projects	Aviation Industrial Park, Eric Fountain Road, Ellesmere Port, CH65 1AX United Kingdom	100%	100%
Survitec Group International Limited*	Administration of group network of service stations	Aviation Industrial Park, Eric Fountain Road, Ellesmere Port, CH65 1AX 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 Viscom Limited	Training & media services	Findon Shore, Findon Aberdeen AB12 3RL Scotland United Kingdom	100%	100%
Survitec Safety Solutions Brazil Limited*	Maritime products and services	Rua Bispo Lacerda 61/67 Del Castilho Rio de Janeiro Brazil	100%	100%
Survitec Safety Solutions Canada Inc.	Maritime products and services	1689 Cliveden Avenue, Delta Vancouver V3M 6V5 British Columbia Canada	100%	100%

Survitec Group Limited

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

16 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2022	2021
Survitec Safety Solutions Panama S.A.*	Maritime products and services	Int.Business Park Flexi Bodegas Unit #4 Panama Pacifico Panama	100%	100%
Survitec Safety Solutions US LLC	Maritime products and services	9400 New Century Drive Pasadena Texas 77507 United States of America	100%	100%
Survitec Safety Solutions Australia Pty Limited	Maritime products and services	2 Burilda Close Wetherill Park NSW 2164 Australia	100%	100%
Survitec Safety Solutions China Co. Limited	Technical Solutions	Block 11 128 Dieqiao Road Shanghai 201315 China	100%	100%
Survitec Safety Solutions Hong Kong Ltd	Maritime products and services	Room 1104-6, 11th Floor Lu Plaza 2 Wing Yip Street Kwun Tong Kowloon Hong Kong	100%	100%
Survitec Safety Solutions Korea Co. Limited	Technical Solutions	90 Hwajeonsandan 5-ro, Gangseo-gu Busan 46738 South Korea	0%	100%
Survitec Safety Solutions Malaysia Sdn. Bhd.	Maritime products and services	18th Floor, 1 Sentral Jalan Rakyat, Kuala Lumpur Sentral Kuala Lumpur 50470 Malaysia	100%	100%
Survitec Safety Solutions Singapore Pte Limited	Maritime products and services	25 Senoko South Road Singapore 758081 Singapore	0%	100%
Survitec Safety Solutions Belgium NV	Maritime products and services	Vosseschijnstraat 44 2030 Antwerpen Antwerp Belgium	100%	100%
Survitec Safety Solutions Cyprus Limited*	Maritime products and services	Atlantis Building, Office 101, 1st Floor 2 Makariou III Ave, Mesa Yito Limassol CY-3036 Cyprus	100%	100%

Survitec Group Limited

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

16 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2022	2021
Survitec Safety Solutions Germany GmbH*	Maritime products and services	1 Riedemannstr Bremerhaven 27572 Germany	0%	100%
Survitec Safety Solutions Hellas Sole-Shareholder SA*	Maritime products and services	D. Moutsopoulo 100, Piraeus 18541 Greece	100%	100%
Survitec Safety Solutions Italy Srl*	Maritime products and services	Corso Perrone 9N/19S Genova 16152 Italy	100%	100%
Survitec Safety Solutions Netherlands BV	Maritime products and services	Willem Barentszstraat 47-49 Rotterdam 3165 AA Albrandswaard Netherlands	100%	100%
Survitec Safety Solutions Poland Sp. z.o.o.*	Maritime products and services	UL. Plac Rodla 9 2nd Floor Szczecin 70-419 Poland	100%	100%
Survitec Safety Solutions Portugal SUL*	Maritime products and services	Fracção E, Zona Industrial do Carvalhinho Moita 2860-579 Portugal	100%	100%
Survitec Safety Solutions Spain SL	Maritime products and services	C/Jose Agustin Goytisilo 33 nave B1 08908 Hospitalet de Llobregat Barcelona Spain	100%	100%
Survitec Safety Solutions Canarias SLU	Maritime products and services	12 Cuzco Las Palmas de Gran Canaria 35008 Spain	100%	100%
Survitec Safety Solutions UK Limited*	Maritime products and services	Aviation Industrial Park, Eric Fountain Road, Ellesmere Port, CH65 1AX United Kingdom	100%	100%
Survitec Safety Solutions South Africa (Pty) Limited*	Maritime products and services	49 Island Circle, Riverhorse Valley Durban 4017 South Africa	100%	100%

Survitec Group Limited

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

16 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2022	2021
Survitec Turkey Emniyet Cozum Leri LTD STI*	Maritime products and services	Abide-i Hürriyet Caddesi Bolkan Center C Blok No:211 K:3 Şişli İstanbul 34381 Turkey	100%	100%
Survitec Safety Solutions Norway AS	Holding Company	Strandveien 20 1366 Lysaker Norway	100%	100%
Survitec Safety Solutions Japan Co. Limited	Maritime products and services	13th Floor Gontenyama Trust Tower 7-35 Kitashinagawa 4-chome Shinagawa-Ku 140-0001 Japan	100%	100%
Survitec Fire Solutions Norway AS	Technical Solutions	Strandveien 20 1366 Lysaker Baerum Oslo Norway	100%	100%
Survitec Fire Solutions Poland Sp. z.o.o	Technical Solutions	Stobno 74 72-002 Stobno Poland	100%	100%
Survitec Fire Solutions Singapore Pte. Limited	Technical Solutions	25 Senoko South Road Singapore 758081 Singapore	100%	100%
Novenco Fire Fighting A/S	Technical Solutions	Lille Tombjerg Vej 30 5220 Odense SØ Denmark	100%	100%
Maritime Protection AS	Technical Solutions	Rigedalen 13 Kristiansand 4626 Norway	100%	100%
Survitec Fire Solutions China Limited	Technical solutions	Block 11 128 Dieqiao Road Shanghai 201315 China China	100%	100%
Survitec Fire Solutions Korea Co. Limited	Maritime products and services	90 Hwajeonsandan 5-ro, Gangseo-gu Busan 46738 South Korea	100%	100%

Survitec Group Limited

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

16 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2022	2021
Survitec Fire Solutions Japan Co. Limited		2-63 Imazunishihama-cho Nishinomiya-shi Hyogo	100%	100%
Survitec Safety Equipment Trading and Installation LLC	Maritime products and services	24th Damac Executive Height Bldg P.O.Box:12089 Tecom C Dubai	49%	49%
Battlefield Sim Limited*		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%	100%
Lyngsøe Rainwear ApS	Sale of protective workwear	Hammershusvej 1B Herning 7400 Denmark	100%	100%
Biardo Survival Suits BV	Sale, service and rental of survival suits	De Trompet 2800 Heemserk 1967 Netherlands	100%	100%
Helippe ApS	Rental of protective suits for offshore windmills	Vesterhavsgade 145 Esbjerg 6700 Denmark	100%	100%
Helippe Limited	Rental of protective suits for offshore windmills	Fish Dock Service Quay, Humber Bridge Road Grimsby DN31 3AS United Kingdom	100%	100%

Survitec Group Limited

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

16 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2022	2021
Helippe GmbH	Rental of protective suits for offshore windmills	Gorch Fock Strasse 103 Emden 2671 Germany	100%	100%
Helippe Holding Aps	Holding company	Vesterhavsgade 145 Esbjerg 6700 Denmark	100%	100%
Hansen Protection AB	Sale of protective suits and equipment	Lappesandsvägen 61 Hönö 475 41 Sweden	100%	100%
Hansen Protection Canada Limited	Dormant	24 Quindora Cres Dartmouth, Nova Scotia B2W6G3 Canada	100%	100%
Blue Anchor Fire and Safety Limited	Survival solutions for maritime industry	Hopetown, Boyndie, Banff, Aberdeenshire Scotland	100%	100%
Survitec Aerospace & Defence (UK) Limited*	Dormant	Aviation Industrial Park, Eric Fountain Road, Ellesmere Port, CH65 1AX	100%	100%
Survitec Safety Maintenance and Trading LLC	Maritime products and services	Aviation Industrial Park, Eric Fountain Road, Ellesmere Port, CH65 1AX	49%	49%
Ocean Newco 2 Limited*	Financing activities	47 Esplanade, St Helier, Jersey, JE1 0BD Jersey	100%	0%

Survitec Group Limited

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

16 Investments (continued)

* 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.

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

* Survitec Norway AS merged with Survitec Safety Solutions Norway AS on 30 April 2022 and has been dissolved.

* Survitec Safety Solutions Korea Co. Ltd merged with Survitec Korea Co. Limited on 31 July 2022 and has been dissolved.

* Survitec Safety Solutions Singapore Pte Ltd merged with WH Brennan (Private) Limited on 31 March 2022 and has been dissolved.

* Survitec Safety Solutions Germany Gmbh merged with Survitec Service & Distribution GmbH on 31 July 2022 and has been dissolved.

* Ocean Newco 2 Limited was incorporated by Survitec Group Limited as a wholly owned subsidiary on 21 December 2022 with share capital of £100.

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

17 Inventories

	31 December 2022 £ 000	31 December 2021 £ 000
Raw materials and consumables	11,412	9,075
Work in progress	5,357	6,455
Finished goods and goods for resale	239	469
	<u>17,008</u>	<u>15,999</u>

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

Provisions have been created against raw materials and consumables used during the year totalling £864,000 (31 December 2021: £167,000). Provisions against inventory as at 31 December 2022 are £864,000 (31 December 2021: £596,000).

Survitec Group Limited

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

18 Trade and other receivables

	31 December 2022	31 December 2021
	£ 000	£ 000
Trade receivables	8,875	9,287
Provision for impairment of trade receivables	<u>(38)</u>	<u>(40)</u>
Net trade receivables	8,837	9,247
Amounts owed by group undertakings	151,430	100,897
Prepayments	2,270	578
Other receivables	<u>6,573</u>	<u>8,274</u>
	<u>169,110</u>	<u>118,996</u>

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

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 £20,790,000 (31 December 2021: £11,044,000) with an impairment charge of £9,035,000 (31 December 2021: credit of £89,646,000) recognised in the income statement in the year.

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 is one customer who represents more than 5 per cent of the total balance of trade receivables (31 December 2021: two). The total balance owing from this customer at 31 December 2022 is £517,000 (31 December 2021: £1,545,000).

The Company applies the IFRS 9 simplified approach when measuring expected credit losses which uses a lifetime expected loss allowance 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 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The default rate on receivables during the period is <1% (31 December 2021: <1%).

Survitec Group Limited

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

18 Trade and other receivables (continued)

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

	31 December 2022 £'000	31 December 2021 £'000
Contract assets recognised at the start of the year	2,590	2,463
Revenue recognised in previous periods that were invoiced during the year	(2,590)	(2,463)
Revenue recognised during the year which will not be invoiced until after the year end	2,607	2,590
Balance at the end of the year	2,607	2,590

Revenue recognised in advance of invoicing £2,607,000 (31 December 2021: £2,590,000) is due to be invoiced in the year ending 31 December 2023.

Factoring arrangement

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

Under IFRS 9, all eligible receivables upon approval from the purchaser will be de-recognised from the Company's balance sheet as the Seller has substantially transferred its control, all risks, and rewards to the purchaser under the arrangement. The purchaser will retain 10% as retention and the amount shall never be lower than 10%. Additionally, the purchaser finances each seller in the currency of the transferred receivables to avoid any foreign currency exposure for the Company. Therefore, the carrying amounts of the trade receivables on the Statement of Financial Position excludes those receivables which are subject to the factoring arrangement. During the period, the Company sold £6,700,000 of trade receivables under the arrangement.

19 Cash and cash equivalents

	31 December 2022 £ 000	31 December 2021 £ 000
Cash at bank	16,773	11,203

Survitec Group Limited

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

20 Called up share capital

Allotted, called up and fully paid shares

	31 December 2022		31 December 2021	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>11,776</u>	<u>11,776</u>	<u>11,776</u>	<u>11,776</u>

21 Reserves

Share premium reserve

Share premium reserve represents the premium received above the par value on the issue of ordinary shares.

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 where applicable.

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 2022 (continued)

22 Lease liabilities

Lease liabilities maturity analysis

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

	31 December 2022 £ 000	31 December 2021 £ 000
Within one year	720	394
Later than one year and not later than five years	9,458	2,296
Later than five years	3,005	7,471
Total lease liabilities (discounted)	13,183	10,161

Total cash outflows related to leases

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

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Payment		
Payment of capital element of lease liabilities	1,100	638
Interest	509	576
Total cash outflow during the year then ended	1,609	1,214

Survitec Group Limited

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

23 Trade and other payables

	31 December 2022 £ 000	31 December 2021 £ 000
Trade payables	17,820	12,753
Amounts owed to Group undertakings	263,360	171,986
Social security and other taxes	965	604
Other payables	2,668	2,224
Accrued expenses	13,667	4,978
	<u>298,480</u>	<u>192,545</u>

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

Amounts owed to Group undertakings are unsecured and repayable on demand. These balances carry an interest rate between 0% - 10% (31 December 2021: 0% - 6%).

Survitec Group Limited

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

24 Contract liabilities

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

	31 December 2022 £'000	31 December 2021 £'000 (As restated)
Contract liabilities recognised at the start of the year	4,063	3,648
Revenue recognised that was included in contract liabilities at the beginning of the year	(1,536)	(3,648)
Amounts invoiced during the year which did not meet revenue recognition criteria during the year	466	4,063
Balance at the end of the year	<u>2,994</u>	<u>4,063</u>

Contract liabilities are expected to unwind within 12 months.

25 Loans and borrowings

	31 December 2022 £ 000	31 December 2021 £ 000
Current loans and borrowings		
Bank overdrafts	<u>9,368</u>	<u>5,233</u>

Survitec Group Limited

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

26 Provisions

	Warranties £ 000	Dilapidations £ 000	Other provisions £ 000	Total £ 000
At 1 January 2022	7,860	2,465	381	10,706
Additional provisions	460	-	-	460
Provisions used	(1,347)	-	-	(1,347)
Unused provision released	(1,977)	(1,546)	-	(3,523)
At 31 December 2022	<u>4,996</u>	<u>919</u>	<u>381</u>	<u>6,296</u>
Non-current liabilities	-	897	-	897
Current liabilities	<u>4,996</u>	<u>22</u>	<u>381</u>	<u>5,399</u>
	Warranties £ 000	Dilapidations £ 000	Other provisions £ 000	Total £ 000
At 1 January 2021	10,265	667	381	11,313
Additional provisions	293	2,201	-	2,494
Provisions used	(699)	-	-	(699)
Unused provision released	(1,999)	(381)	-	(2,380)
Reclassification	-	(22)	-	(22)
At 31 December 2021	<u>7,860</u>	<u>2,465</u>	<u>381</u>	<u>10,706</u>
Non-current liabilities	-	2,233	-	2,233
Current liabilities	<u>7,860</u>	<u>232</u>	<u>381</u>	<u>8,473</u>

Due to the nature of critical safety products manufactured by Survitec Group Limited, 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 accounting 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%	(707)	(228)	251
	0%	(479)	-	-
	+10%	(251)	-	-

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 2022 (continued)

27 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 £1,100,000 (31 December 2021: £1,199,000).

Defined benefit pension schemes

In the UK the Company operates a closed 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.

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 2021 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 2021.

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 2022, the minimum funding liability amounted to £687,000 (31 December 2021: £1,400,000).

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 2022 %	31 December 2021 %
Rate of pension increase	3.60	3.65
Discount rate	4.65	1.95
Inflation assumption	3.10	3.30

Post retirement mortality assumptions

	31 December 2022 Years	31 December 2021 Years
Current UK pensioners at retirement age - male	20.90	20.80
Current UK pensioners at retirement age - female	23.30	23.30
Future UK pensioners at retirement age - male	22.60	22.50
Future UK pensioners at retirement age - female	25.10	25.10

Survitec Group Limited

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

27 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 2022 £ 000	31 December 2021 £ 000
Fair value of scheme assets	49,124	74,941
Present value of scheme liabilities	<u>(37,892)</u>	<u>(57,028)</u>
	11,232	17,913
Other amounts not recognised in the statement of financial position	<u>(11,919)</u>	<u>(19,313)</u>
Defined benefit pension scheme deficit	<u><u>(687)</u></u>	<u><u>(1,400)</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 £687,000 (31 December 2021: £1,400,000) of additional liability due to minimum funding requirements.

Scheme assets

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

	31 December 2022 £ 000	31 December 2021 £ 000
Fair value at start of the year	74,941	78,985
Interest income	1,438	1,069
(Loss)/gain on plan assets, excluding amounts included in interest income	(25,236)	77
Employer contributions	475	949
Benefits paid	<u>(2,494)</u>	<u>(6,139)</u>
Fair value at end of the year	<u><u>49,124</u></u>	<u><u>74,941</u></u>

Analysis of assets

The major categories of scheme assets are as follows:

	31 December 2022 £ 000	31 December 2021 £ 000
Cash and cash equivalents	1,152	1,732
Equity instruments	-	626
Debt instruments	47,659	72,130
Assets held by investment company	<u>313</u>	<u>453</u>
	<u><u>49,124</u></u>	<u><u>74,941</u></u>

Survitec Group Limited

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

27 Retirement benefit obligations (continued)

Scheme liabilities

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

	31 December 2022 £ 000	31 December 2021 £ 000
Present value at start of the year	(57,028)	(67,982)
Past service cost	-	(48)
Actuarial gains arising from changes in demographic assumptions	38	3,302
Actuarial gains arising from changes in financial assumptions	20,286	2,961
Actuarial losses arising from experience adjustments	(2,594)	(491)
Interest cost	(1,088)	(909)
Benefits paid	2,494	6,139
Present value at end of the year	(37,892)	(57,028)

Amounts recognised in the income statement

	31 December 2022 £ 000	31 December 2021 £ 000
Amounts recognised in operating profit		
Past service cost	-	48
Amounts recognised in finance costs		
Net interest	26	26
Total recognised in the income statement	26	74

Survitec Group Limited

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

27 Retirement benefit obligations (continued)

Amounts taken to the Statement of Comprehensive Income

	31 December 2022 £ 000	31 December 2021 £ 000
Actuarial gains arising from changes in demographic assumptions	(38)	(3,302)
Actuarial gains arising from changes in financial assumptions	(20,286)	(2,961)
Actuarial losses arising from experience adjustments	2,594	491
Losses/(gains) on plan assets, excluding amounts included in interest income/(expense)	25,236	(77)
Changes in the effect of the asset ceiling	(7,770)	5,794
Gains recognised in the Statement of Comprehensive Income	(264)	(55)

Sensitivity analysis

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

	31 December 2022			31 December 2021		
Adjustment to discount rate	+ 0.25%	0.0%	- 0.25%	+ 0.25%	0.0%	- 0.25%
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Present value of total obligation	36,593	37,892	39,255	54,679	57,028	59,523

	31 December 2022			31 December 2021		
Adjustment to rate of inflation (RPI)	+ 0.25%	0.0%	- 0.25%	+ 0.25%	0.0%	- 0.25%
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Present value of total obligation	38,557	37,892	37,144	58,348	57,028	55,654

	31 December 2022		31 December 2021	
Adjustment to mortality age rating assumption	None	- 1 Year	None	- 1 Year
	£ 000	£ 000	£ 000	£ 000
Present value of total obligation	37,892	39,960	57,028	59,787

Survitec Group Limited

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

27 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 2022	2,621	10,362	13,835	26,818
31 December 2021	<u>2,504</u>	<u>10,104</u>	<u>13,501</u>	<u>26,109</u>

The average duration of the defined benefit obligation at the end of the year is 14.1 years (31 December 2021: 17.1 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 2022 (continued)

28 Share-based payments

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

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

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

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

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

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

29 Commitments

Capital commitments

The total amount contracted for in relation to property plant and equipment but not provided in the financial statements was £377,000 (31 December 2021: £281,000).

The total amount authorised in relation to property plant and equipment but not contracted for and not provided in the financial statements was £53,000 (31 December 2021: £68,000).

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

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

Survitec Group Limited

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

30 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 £1,321,000 (31 December 2021: £6,262,000).

The Company has cross-guaranteed the repayment of bank loans of certain entities in the Survitec Acquisition Company Limited group amounting to £273,400,000 (31 December 2021: £270,000,000).

31 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 2022 £ 000	Year ended 31 December 2021 £ 000
Short term employee benefits	1,821	2,407
Post employment benefits	99	87
	1,920	2,494

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

The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial period:

	Amounts owed from related parties £'000	Loans issued £'000	Interest receivable £'000	Repayments £'000
31 December 2022				
Key management personnel	1,646	604	52	(313)
31 December 2021				
Key management personnel	2,629	585	106	

These amounts are recorded in other receivables.

Survitec Group Limited

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

32 Prior year adjustment

Intangible assets and Contract liabilities

In the prior year, development expenditure additions purchased using government grants were overstated by £2,041,000. The corresponding entry to initially recognise the government grants relating to the purchase of the intangible assets before being credited to profit or loss over the life of the related assets was in Contract liabilities which were also overstated. Overall there is no impact on the reported results or equity as a result of this adjustment. The restated disclosures are as follows:

Intangible assets	As previously stated	Adjustment	As restated
Year ended 31 December 2021	£'000	£'000	£'000
Development expenditure cost at 1 January 2021	24,145	-	24,145
Development expenditure additions	7,356	(2,041)	5,315
Development expenditure cost at 31 December 2021	31,501	(2,041)	29,460
Development expenditure accumulated amortisation at 31 December 2021	(17,967)	-	(17,967)
Development expenditure carrying amount at 31 December 2021	13,534	(2,041)	11,493

Contract liabilities	As previously stated	Adjustment	As restated
Year ended 31 December 2021	£'000	£'000	£'000
Amounts invoiced during the year which did not meet revenue recognition criteria during the year	6,104	(2,041)	4,063

Other operating income

In the prior year, management recharge income was incorrectly classified in Other operating expenses rather than as part of Other operating income. There is no impact on the reported results or equity as a result of this adjustment. The restated disclosure is as follows:

Year ended 31 December 2021	As previously stated	Adjustment	As restated
Year ended 31 December 2021	£'000	£'000	£'000
Other operating income	1,693	8,607	10,300
Other operating expenses	(16,579)	(8,607)	(25,186)

Survitec Group Limited

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

33 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 (Aviation Industrial Park, Eric Fountain Road, Ellesmere Port, England, England, CH65 1AX).