

SURVITEC SERVICE & DISTRIBUTION LIMITED

(Registered No. 553893)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2015



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SURVITEC SERVICE & DISTRIBUTION LIMITED

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SURVITEC SERVICE & DISTRIBUTION LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

G R Allanach
C R Bates
S C Else
C G Stocker
R P Wilkinson
B M Stringer

REGISTERED OFFICE

1-5 Beaufort Road
Birkenhead
Merseyside
CH41 1HQ

INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP
2 Humber Quays
Wellington Street West
Hull
HU1 2BN

SOLICITOR

Latham & Watkins
99 Bishopsgate
London
EC2M 3XF

SURVITEC SERVICE & DISTRIBUTION LIMITED

STRATEGIC REPORT

The directors present their strategic report on the Company for the period ended 31 December 2015. The comparative period is for the year ended 31 March 2015.

REVIEW OF THE BUSINESS

The Company continued to trade in the supply of safety at sea equipment, protective clothing, fibre products and commercial fishing gear.

The key performance indicators are turnover, loss on ordinary activities before tax and adjusted EBITDA (pre-one off costs and other allowable costs). These key performance indicators are discussed in the Business Review. One off costs relates to transition and integration costs £65,000 and other items of a one – off nature £155,000.

The trading results of the Company for the period have been satisfactory with turnover for the period of £24,768,000 (Year ended 31 March 2015: £37,385,000) and loss on ordinary activities before tax for the period of £733,000 (Year ended 31 March 2015: £954,000).

Adjusted EBITDA for the period is calculated as follows:

	<u>9 month period ended</u> <u>31 December 2015</u>	<u>Year ended 31</u> <u>March 2015</u>
	<u>£'000</u>	<u>£'000</u>
Operating loss	(579)	(770)
Add back:		
Manufacturing footprint optimisation	142	-
Other allowable costs	861	-
One – off costs (per note 6)	220	1,513
Depreciation and amortisation	522	854
Adjusted EBITDA	<u>1,166</u>	<u>1,597</u>
Adjusted EBITDA margin	4.7%	4.3%

Other allowable costs, such as adjustments to inventory and receivables provisions that arose as a result of a group wide fair value exercise, relates to costs that are allowable under the terms of the Group's banking facilities in the determination of adjusted EBITDA.

This is the first period for which the company has prepared the accounts under Financial Reporting Standard 101 (FRS101). Previously the financial statements were prepared under United Kingdom Generally Accepted Accounting Practice (UK GAAP). Refer to note 23 for the impact of the transition on the accounts.

Looking forward to the current year there are strong turnover growth and cost reduction opportunities for the Company to pursue and the current year order book is strong.

The statement of financial position on page 13 shows that net assets have decreased from £6,165,000 at 31 March 2015 to £5,432,000 at 31 December 2015.

SURVITEC SERVICE & DISTRIBUTION LIMITED

STRATEGIC REPORT (continued)

REVIEW OF THE BUSINESS (continued)

The Company employed an average of 279 (Year ended 31 March 2015: 281) employees in the current period.

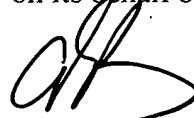
PRINCIPAL RISKS AND UNCERTAINTIES

The Company operates in competitive markets which are a continuing risk to the Company and could result in the loss of sales to its competitors. The Company manages the risk by providing a high standard of service to its customers, investing in new products, responding quickly to customers' requirements and maintaining strong relationships with them.

The markets in which the Company operates react to global and industry specific macro-economic trends, such as government defence spending, global oil prices and regulatory requirements. The Company reacts to such risks through a combination of new product development, a broad highly regulated product and geographical portfolio and management of its cost base.

Most of the Company's products are of a safety critical nature where performance may be required in hazardous conditions. The Company invests in design and development and quality controls and standards to ensure that its products meet all regulatory requirements and perform reliably when required.

Approved by the Board and signed
on its behalf by:



C.R. Bates
Director

24 March 2016

SURVITEC SERVICE & DISTRIBUTION LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements of the Company for the period ended 31 December 2015. The comparative period is for the year ended 31 March 2015.

FUTURE DEVELOPMENTS

A review of future developments is included in the Strategic Report and included in this report by cross reference.

DIVIDENDS

The directors did not recommend a payment of a dividend for the period ended 31 December 2015 (Year ended 31 March 2015: £Nil).

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a number of financial risks including foreign exchange risk, interest rate risk, credit risk, price risk and liquidity 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 RISK

The Company, whilst based in the UK, resides in geographically diverse locations, with 23% (Year ended 31 March 2015: 32%) of its sales being made outside the UK. It is therefore exposed to movements in exchange rates. The Company seeks to minimise the impact of the movement in exchange rates 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 trade and other receivables.

Credit risk for the Company is primarily attributed to trade receivables. The amount presented in the financial statements is net of bad debt provisions. Credit risks on liquid funds and derivative financial instruments are limited because the counterparties are banks with high credit ratings assigned by the international credit ratings agencies.

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to individual customers is subject to a limit which is reassessed regularly by the Board.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

SURVITEC SERVICE & DISTRIBUTION LIMITED

DIRECTORS' REPORT (continued)

LIQUIDITY RISK

The Company has access to sufficient available funds from Group undertakings for operations and planned expansion, should such funds be necessary.

INTEREST RATE RISK

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.

PRICE RISK

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

GOING CONCERN

After making enquiries the directors have a reasonable expectation that the Company has adequate resources to meet its obligations as they fall due and to continue in operational existence for at least 12 months from the date of signing the financial statements. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS

The directors holding office during the period, and up to the date of signing the financial statements, were:

B M Stringer
C G Taylor (resigned 9 September 2015)
C R Bates
C G Stocker (appointed 9 September 2015)
G R Allanach (appointed 11 September 2015)
R P Wilkinson (appointed 11 September 2015)
S C Else (appointed 15 September 2015)

DIRECTORS' INDEMNITIES

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

EMPLOYEE INVOLVEMENT

During the period average employee numbers have reduced by 2 bringing them to 279.

Employees are kept informed of any relevant information through regular management and employee review meetings.

SURVITEC SERVICE & DISTRIBUTION LIMITED

DIRECTORS' REPORT (continued)

DISABLED EMPLOYEES

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 promotional potential. Full and fair consideration is also given to the employment of applicants who are disabled persons, taking into account their aptitudes and abilities.

POLITICAL DONATIONS

During the period the Company made no political donations. (Year ended 31 March 2015: £Nil).

RESEARCH AND DEVELOPMENT

The Company is currently undertaking research and development in respect of improvements to the production process and the development of new products. Research expenditure is expensed as incurred and amounted to £155,000 in the period (Year ended 31 March 2015: £209,443). The total capitalised development costs amounted to £242,000 (Year ended 31 March 2015: £nil).

SURVITEC SERVICE & DISTRIBUTION LIMITED

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; 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 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SURVITEC SERVICE & DISTRIBUTION LIMITED

DIRECTORS' REPORT (continued)

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Each person who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she needs to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

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

Approved by the Board and signed
on its behalf by:



C R Bates
Director

24 March 2016

SURVITEC SERVICE & DISTRIBUTION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SURVITEC SERVICE & DISTRIBUTION LIMITED

Report on the financial statements

Our opinion

In our opinion, Survitec Service & Distribution Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the 9 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of financial position as at 31 December 2015;
- the Income statement for the period then ended;
- the Statement of changes in equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

SURVITEC SERVICE & DISTRIBUTION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SURVITEC SERVICE & DISTRIBUTION LIMITED (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

SURVITEC SERVICE & DISTRIBUTION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SURVITEC SERVICE & DISTRIBUTION LIMITED (continued)

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Peter Adams (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Hull
12 April 2016

SURVITEC SERVICE & DISTRIBUTION LIMITED

INCOME STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2015

	<u>Note</u>	<u>9 month period ended 31 December 2015 £'000</u>	<u>Year ended 31 March 2015 £'000</u>
REVENUE	4	24,768	37,385
Other operating income		13	-
Change in inventories of finished goods and work in progress		(98)	(824)
Raw materials and consumables used		(13,266)	(19,684)
Employee benefits expense	5	(6,095)	(8,190)
Depreciation and amortisation		(522)	(671)
Other operating expenses		(5,379)	(8,786)
Operating profit before one-offs		(359)	743
One-off costs (other operating expenses)	6	(220)	(1,513)
OPERATING LOSS		(579)	(770)
Finance costs	7	(154)	(184)
LOSS ON ORDINARY ACTIVITIES BEFORE TAX	6	(733)	(954)
Tax on loss on ordinary activities	8	-	-
LOSS FOR THE FINANCIAL PERIOD		(733)	(954)

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

The notes on pages 17 to 41 form part of these financial statements.

SURVITEC SERVICE & DISTRIBUTION LIMITED

STATEMENT OF FINANCIAL POSITION

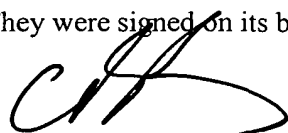
AT 31 DECEMBER 2015

	<u>Note</u>	<u>31 December</u>	<u>31 March</u>
		<u>2015</u>	<u>2015</u>
		<u>£'000</u>	<u>£'000</u>
FIXED ASSETS			
Intangible assets	9,10	3,635	3,451
Property, plant and equipment	11	1,925	2,118
		5,560	5,569
CURRENT ASSETS			
Inventories	12	4,260	4,262
Trade and other receivables	13	6,765	9,835
Cash and cash equivalents	14	1,152	1,205
		12,177	15,302
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(6,226)	(9,678)
NET CURRENT ASSETS		5,951	5,624
TOTAL ASSETS LESS CURRENT LIABILITIES		11,511	11,193
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
	15	(3,642)	(3,509)
Provisions for liabilities and charges	16	(2,437)	(1,519)
NET ASSETS		5,432	6,165
EQUITY			
Called up share capital	18	250	250
Retained earnings		5,182	5,915
TOTAL SHAREHOLDERS' FUNDS		5,432	6,165

The notes on pages 17 to 41 form part of these financial statements.

The financial statements of Survitec Service & Distribution Limited, registered number 553893, were approved by the Board of Directors and authorised for issue on 24 March 2016.

They were signed on its behalf by:



C R Bates
Director

SURVITEC SERVICE & DISTRIBUTION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2015

	<u>Called up share capital £'000</u>	<u>Retained earnings £'000</u>	<u>Total shareholders' funds £'000</u>
At 1 April 2014	250	6,869	7,119
Loss for the financial year and comprehensive loss	-	(954)	(954)
At 31 March 2015	250	5,915	6,165
Loss for the financial period and comprehensive loss	-	(733)	(733)
At 31 December 2015	250	5,182	5,432

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

1. GENERAL INFORMATION

The financial statements of Survitec Service & Distribution Limited, (the Company) for the period ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 24 March 2016. Survitec Service & Distribution Limited is a limited company incorporated and domiciled in England and Wales. The registered office of the company is 1-5 Beaufort Road, Birkenhead, Merseyside, CH41 1HQ. The principal activity of the Company is the supply of safety at sea equipment, protective clothing, fibre products and commercial fishing gear. Information on its ultimate parent company is presented in note 21.

2. EXEMPTION FROM PREPARING GROUP ACCOUNTS

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

The results of Survitec Acquisition Company Limited are included in the consolidated financial statements of Survitec Acquisition Company Limited which are available from the Company Secretary c/o Survitec Group Limited, Kingsway, Dunmurry, Belfast, BT17 9AF

3. STATEMENT OF ACCOUNTING POLICIES

BASIS OF PREPARATION

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

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. The Company has used a true and fair override in respect on the non amortisation of goodwill.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

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

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

3. STATEMENT OF ACCOUNTING POLICIES (continued)

BASIS OF PREPARATION (continued)

- 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';
- 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.

CHANGE OF PERIOD END

During the period, the Company changed its period end from 31 March to 31 December. The change is to align the year end with the new ultimate controlling party, Onex Corporation, a listed private equity firm in Canada. As a result, the financial statements have been for the 9 month period ended 31 December 2015. The comparatives are for the year ended 31 March 2015.

GOING CONCERN

After making enquiries the directors have a reasonable expectation that the Company has adequate resources to meet its obligations as they fall due and to continue in operational existence for at least 12 months from the date of signing the financial statements. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

DIVIDEND DISTRIBUTION

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

3. STATEMENT OF ACCOUNTING POLICIES (continued)

INTANGIBLE ASSETS

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.

a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill is not amortised but is reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

b) Computer software

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

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

3. STATEMENT OF ACCOUNTING POLICIES (continued)

INTANGIBLE ASSETS (continued)

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

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

c) Research and development

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

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

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

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

3. STATEMENT OF ACCOUNTING POLICIES (continued)

INTANGIBLE ASSETS (continued)

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

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

FOREIGN CURRENCY

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.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing as at that date.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes, and after eliminating turnover from within the Company. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities as described below:

(a) Rental income

The Company rents out life rafts to customers. Revenue is recognised on a straight line basis over the specified period of performance of the service except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are earned. Contingent rentals arising under operating leases are recognised as income in the period in which they crystallise.

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

3. STATEMENT OF ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION (continued)

(b) Sale of goods

Revenue is recognised on product sales when substantially all the risks and rewards of ownership of the goods have passed to the customer and the collection of the related receivable can be reasonably assessed. This is usually on despatch but is dependent upon the contractual terms that have been agreed with the customer.

(c) Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the service for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses incurred.

(d) Interest income

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

(e) Dividend income

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

PROPERTY, PLANT AND EQUIPMENT

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

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

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

3. STATEMENT OF ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>%</u>	
Leasehold property improvements	over life of lease	
Plant and machinery	10 to 40	per annum
Motor vehicles	25	per annum

The assets' residual values and 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.

IMPAIRMENT OF NON FINANCIAL ASSETS

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

FINANCIAL ASSETS

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 favourable derivative financial instruments. Financial liabilities of the Company include trade and other payables, amounts due to related parties, obligations under leases, loans, and unfavourable derivative financial instruments.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

3. STATEMENT OF ACCOUNTING POLICIES (continued)

FINANCIAL ASSETS (continued)

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Derecognition

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

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.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

3. STATEMENT OF ACCOUNTING POLICIES (continued)

LEASES (continued)

The Company leases certain plant and equipment. Leases of plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payment.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges for purchases of raw materials.

TAXATION

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

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

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

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

3. STATEMENT OF ACCOUNTING POLICIES (continued)

TAXATION (continued)

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 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.

Deferred income tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred income tax is measured on a non-discounted basis.

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

PENSION COSTS

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

TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

3. STATEMENT OF ACCOUNTING POLICIES (continued)

SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

CREDITORS

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

ONE – OFF COSTS

The Company classifies certain one-off charges or credits that have a material impact on the company's financial statements as "one-off costs". These are separately disclosed to provide further understanding of the financial performance of the Company.

JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Non recognition of deferred tax asset

As stated in note 17, deferred taxation assets of £768,000 (Year ended 31 March 2015: £594,000) have not been recognised due to the uncertainty over their recovery. The deferred tax assets will be recognised when it is considered more likely than not that there would be sufficient taxable profits from which the temporary differences can be deducted.

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

4. REVENUE

Revenue by geographical destination is as follows:

	<u>9 month</u> <u>period ended</u> <u>31 December</u> <u>2015</u> <u>£'000</u>	<u>Year ended</u> <u>31 March</u> <u>2015</u> <u>£'000</u>
United Kingdom	18,972	25,256
Overseas	5,796	12,129
	24,768	37,385

5. EMPLOYEE BENEFITS EXPENSE

The average monthly number of employees (including directors) during the period was as follows:

	<u>9 month</u> <u>period ended</u> <u>31 December</u> <u>2015</u> <u>No.</u>	<u>Year ended</u> <u>31 March</u> <u>2015</u> <u>No.</u>
Management and administration	108	106
Sales and distribution	171	175
	279	281

Their aggregate remuneration comprised:	<u>£'000</u>	<u>£'000</u>
Wages and salaries	5,404	7,274
Social security costs	524	720
Pension costs	167	196
	6,095	8,190

DIRECTORS' REMUNERATION

	<u>9 month</u> <u>period ended</u> <u>31 December</u> <u>2015</u> <u>£'000</u>	<u>Year ended</u> <u>31 March</u> <u>2015</u> <u>£'000</u>
Emoluments	31	-
Company contributions to personal pension plans	2	-
	33	-

Two directors are accruing benefits under defined contribution pension plans (Year ended 31 March 2015: nil).

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

5. EMPLOYEE BENEFITS EXPENSE (continued)

A number of the directors are paid their remuneration by both the parent company and other related Group undertakings. This remuneration is not recharged to the Company. Three of the Company's directors are also directors of the parent company and a number of fellow subsidiaries, and it is not possible to make an accurate apportionment of their remuneration in respect of each of the subsidiaries. Accordingly, the above details do not include remuneration in respect of the directors paid by both the parent company and other related Group undertakings.

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAX

	<u>9 month</u> <u>period ended</u> <u>31 December</u> <u>2015</u> <u>£'000</u>	<u>Year ended</u> <u>31 March</u> <u>2015</u> <u>£'000</u>
Loss on ordinary activities before tax is stated after charging/(crediting):		
Research and non – qualifying development expenditure	155	209
Depreciation and amortisation	522	854
Rentals payable under operating leases:	856	1,140
Auditors' remuneration for audit of the financial statements	53	40
Foreign exchange difference	(6)	179
Other allowable costs	861	-
Manufacturing footprint optimisation	142	-
One – off costs	220	1,513
Loss/(profit) on sale of property, plant and equipment	51	(22)

Disclosure of fees payable to the auditors and its associates for other (non-audit) services has not been made as the Company is included in the consolidated financial statements of Survitec Acquisition Company Limited, in which the other (non-audit) services are included on a consolidated basis.

Other allowable costs, such as adjustments to inventory and receivables provisions that arose as a result of a group wide fair value exercise, relate to costs that are allowable under the terms of the Group's banking facilities in the determination of adjusted EBITDA.

One off costs relates to transition and integration costs £65,000 and other items of a one – off nature £155,000 (Year ended 31 March 2015: Reorganisation £912,000, transition and integration costs £589,000 and other items of a one – off nature £12,000)

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

7. FINANCE COSTS

	<u>9 month</u> <u>period ended</u> <u>31 December</u> <u>2015</u> <u>£'000</u>	<u>Year ended</u> <u>31 March</u> <u>2015</u> <u>£'000</u>
On bank loans and overdrafts	-	4
Interest payable to Group undertakings	154	112
Loss on financial instruments	-	68
Finance costs	154	184

8. TAX ON LOSS ON ORDINARY ACTIVITIES

The Company had no current or deferred tax expense for the period (Year ended 31 March 2015: £nil). The total tax charge for the period is lower than (Year ended 31 March 2015: lower than) the standard rate of corporation tax in the UK of 20% (Year ended 31 March 2015: 21%). The differences are explained below.

	<u>9 month</u> <u>period ended</u> <u>31 December</u> <u>2015</u> <u>£'000</u>	<u>Year ended</u> <u>31 March</u> <u>2015</u> <u>£'000</u>
Loss on ordinary activities before tax	(803)	(1,137)
Current tax at 20% (Year ended 31 st March 2015: 21%)	(161)	(227)
Effects of:		
Expenses not deductible for tax purposes	34	567
Other temporary differences for which deferred tax assets are not recognised	103	171
Group relief surrendered/(claimed)	24	(511)
Tax on loss on ordinary activities	-	-

The tax rate for the current period is lower than the prior year due to changes in the UK Corporation Tax rate which decreased from 21% to 20% from 1 April 2015. Accordingly the company's taxable profits are taxed at a rate of 20% during the year. Further reductions to the UK Corporation Tax rate were substantively enacted as part of the Finance Act 2015 (substantively enacted on 26 October 2015). These reduce the main rate of tax to 19% from 1 April 2017 and to 18% from 1 April 2020.

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

9. GOODWILL

Goodwill
£'000

COST

As at 1 April 2015 and 31 December	3,132
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Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill is assessed against the enterprise value of the cash generating unit ("CGU") to which the goodwill attaches. The enterprise value of the CGU is calculated as a recognised market multiple of EBITDA less any applicable net debt. Any impairment is recognised immediately as an expense and is not subsequently reversed.

10. INTANGIBLE ASSETS

	<u>Development expenditure</u>	<u>Computer software</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>COST</u>			
At 1 April 2015	-	751	751
Additions	242	49	291
At 31 December 2015	242	800	1,042
<u>ACCUMULATED AMORTISATION</u>			
At 1 April 2015	-	432	432
Charge for the period	8	99	107
At 31 December 2015	8	531	539
<u>NET BOOK VALUE</u>			
At 31 December 2015	234	269	503
At 31 March 2015	-	319	319

Under the terms of the Company's facilities agreement, the Company has granted a fixed and floating charge over the assets held by group companies that are subject to the finance recourse group. As at 31 December 2015, the total value of intangible assets subject to such charge was £503,000.

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

11. PROPERTY, PLANT AND EQUIPMENT

	<u>LEASEHOLD PROPERTY IMPROVEMENTS</u>	<u>PLANT AND MACHINERY</u>	<u>TOTAL</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
COST			
At 1 April 2015	542	7,225	7,767
Additions	-	273	273
Disposals	-	(376)	(376)
Reclassification	(285)	285	-
At 31 December 2015	257	7,407	7,664
ACCUMULATED DEPRECIATION			
At 1 April 2015	275	5,374	5,649
Charge for the period	12	403	415
Disposals	-	(325)	(325)
Reclassification	(94)	94	-
At 31 December 2015	193	5,546	5,739
NET BOOK VALUE			
At 31 December 2015	64	1,861	1,925
At 31 March 2015	267	1,851	2,118

Plant and machinery includes motor vehicles.

Under the terms of the Company's facilities agreement, the Company has granted a fixed and floating charge over the assets held by group companies that are subject to the finance recourse group. As at 31 December 2015, the total value of property, plant and equipment subject to such charge was £1.9m.

12. INVENTORIES

	<u>31 December 2015 £'000</u>	<u>31 March 2015 £'000</u>
Raw materials and consumables	437	341
Work in progress	159	91
Finished goods and goods for resale	3,664	3,830
	4,260	4,262

Provisions against inventory at the start of the period totalling £310,608 (Year ended March 2015: £600,103) were released to raw materials and consumables used during the period.

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

13. TRADE AND OTHER RECEIVABLES

	<u>31 December</u>	<u>31 March</u>
	<u>2015</u>	<u>2015</u>
	<u>£'000</u>	<u>£'000</u>
Amounts falling due within one year:		
Trade receivables	4,913	5,586
Amounts owed by Group undertakings	968	3,368
Other receivables	264	178
Prepayments and accrued income	620	703
	6,765	9,835

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

Trade receivables are non-interest bearing and generally on 30-60 days' terms and are shown net of a bad debt provision of £71,325 (31 March 2015: £142,914) for estimated irrecoverable amounts based on age of debt and past default experience.

14. CASH AND CASH EQUIVALENTS

	<u>31 December</u>	<u>31 March</u>
	<u>2015</u>	<u>2015</u>
	<u>£'000</u>	<u>£'000</u>
Cash at bank and in hand	1,152	1,205

15. CREDITORS

CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31 December</u>	<u>31 March</u>
	<u>2015</u>	<u>2015</u>
	<u>£'000</u>	<u>£'000</u>
Bank overdraft	458	338
Trade creditors	1,887	2,854
Amounts owed to Group undertakings	2,075	4,002
Other taxes and social security	667	271
Other creditors	220	608
Accruals and deferred income	919	1,605
	6,226	9,678

Amounts owed to Group undertakings include a balance of £3,507,796 carrying interest at Bank of England base rate +5.5% (Year ending 31 March 2015: £3,460,020) carrying interest at EURIBOR +2%), which is unsecured and repayable on demand. Remaining balances are interest free, unsecured and repayable on demand.

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

15. CREDITORS (continued)

CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN 1 YEAR

	<u>31</u> <u>December</u> <u>2015</u> <u>£'000</u>	<u>31 March</u> <u>2015</u> <u>£'000</u>
Other creditors	134	-
Amounts owed to Group undertakings	3,508	3,509
	3,642	3,509

16. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Warranty</u> <u>£'000</u>	<u>Dilapidations</u> <u>£'000</u>	<u>Other</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
At 1 April 2015	95	759	665	1,519
Charged to the income statement	4	861	123	988
Utilised during the period	(8)	(62)	-	(70)
At 31 December 2015	91	1,558	788	2,437

Analysis of total provision:

	<u>£'000</u>
Non - current	1,149
Current	1,288
	2,437

Warranty costs are provided for on the basis of known claims and on estimates, based upon past experience, of possible future claims which could arise over the life of the products sold. Dilapidations relate to the cost of putting property back in its original condition at the end of its lease term.

It is expected that the warranty provision will be utilised within the next 4 years. The dilapidation provision is expected to be utilised over the lease terms of the related properties, which terminate (or break) between 2016 and 2018.

17. DEFERRED TAXATION

Deferred taxation not recognised in the financial statements:

	<u>31 December</u> <u>2015</u> <u>£'000</u>	<u>31 March</u> <u>2015</u> <u>£'000</u>
Depreciation in excess of capital allowances	465	581
Temporary differences	303	13
	768	594

The deferred tax assets in the table above have not been recognised due to the uncertainty over their recovery. The deferred tax assets will be recognised when it is considered more likely than not that there would be sufficient taxable profits from which the timing differences can be deducted.

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

18. CALLED UP SHARE CAPITAL

ALLOTTED, ISSUED AND FULLY PAID

	<u>31 December</u> <u>2015</u> <u>£'000</u>	<u>31 March</u> <u>2015</u> <u>£'000</u>
250,000 Ordinary shares of £1 each	250	250

19. LEASE COMMITMENTS

The Company has entered into operating leases on certain motor vehicles and items of machinery, with lease terms between three and ten years. The Company has the option, under some of its leases, to lease the assets for additional terms of three to five years.

Future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	<u>31 December</u> <u>2015</u> <u>£'000</u>	<u>31 March</u> <u>2015</u> <u>£'000</u>
Future minimum rentals payable under non-cancellable operating leases:		
Not later than one year	800	936
After one but not more than five years	1,783	2,028
After five years	824	1,155
	<u>3,407</u>	<u>4,119</u>

20. 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 cross-guaranteed the repayment of bank loans and overdrafts of certain entities in the Survitec Acquisition Company Limited group amounting to £288,039,615 (Year ended 31 March 2015: £251,696,000).

The Company has guarantees and performance bonds outstanding amounting to £1,289,927 (Year ending 31st March 2015: £378,000).

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

21. ULTIMATE PARENT COMPANY

Survitec Group Limited, is the Company's immediate parent undertaking, which is incorporated in United Kingdom.

The Company's ultimate parent undertaking is Onex Corporation, a listed private equity firm in Canada.

The smallest group in which the results of the Company are consolidated is that headed by Survitec Acquisition Company Limited, a company incorporated in the United Kingdom. Copies of these consolidated financial statements can be obtained from the Company Secretary, c/o Survitec Group Limited, Kingsway, Dunmurry, Belfast BT17 9AF. The largest group in which the results of the Company are consolidated is that headed by Onex Corporation. Copies of these consolidated financial statements can be obtained from the Company Secretary, c/o Onex Corporation, 161 Bay Street, P.O. Box 700, Toronto, Ontario, M5J 2S1.

22. ULTIMATE CONTROLLING COMPANY

The Company's ultimate controlling party is Onex Corporation, a Canadian publicly listed entity.

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

23. EXPLANATION OF TRANSITION TO FRS 101

In accordance with UK accounting standards, the Company was required to convert from UK GAAP for the period ended 31 December 2015. As the Company is consolidated within financial statements that are produced under International Financial Reporting Standards ("IFRS") the Company has elected to prepare its financial statements in accordance with FRS101.

For all periods up to and including the year ended 31 March 2015, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP).

In preparing these financial statements, the Company has started from an opening statement of financial position as at 1 April 2014, the Company's date of transition to FRS101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its statement of financial position as at 1 April 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 March 2015.

On transition to FRS 101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

The impact of adopting FRS 101 on this period's results and the opening and closing statement of financial position are reported below:

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

23. EXPLANATION OF TRANSITION TO FRS 101 (continued)

Analysis of FRS 101 adjustments to the profit and loss for year ended 31 March 2015

	UK GAAP Year ended 31 March 2015	IAS 19	Financial instruments	Amortisation charge	FRS101 Year ended 31 March 2015
	£'000	£'000	£'000	£'000	£'000
REVENUE	37,385	-	-	-	37,385
Change in inventories of finished goods and work in progress	(824)	-	-	-	(824)
Raw materials and consumables used	(19,684)	-	-	-	(19,684)
Employee benefits expense	(8,195)	5	-	-	(8,190)
Depreciation and amortisation	(854)	-	-	183	(671)
Other operating expenses	(8,786)	-	-	-	(8,786)
Operating profit before one – offs	555	5	-	183	743
One – off costs (other operating expenses)	(1,513)	-	-	-	(1,513)
Operating loss	(958)	5	-	183	(770)
Finance costs	(116)	-	(68)	-	(184)
LOSS ON ORDINARY ACTIVITIES BEFORE TAX	(1,074)	5	(68)	183	(954)
Tax on loss on ordinary activities	-	-	-	-	-
LOSS FOR THE FINANCIAL YEAR	(1,074)	5	(68)	183	(954)

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FOR THE PERIOD ENDED 31 DECEMBER 2015

23. EXPLANATION OF TRANSITION TO FRS 101 (continued)

Analysis of FRS 101 adjustments to the statement of financial position as at 31 March 2015.

	UK GAAP Year ended 31 March 2015 £'000	IAS 19 £'000	Software reclassification £'000	Financial instruments £'000	Amortisation charge £'000	Inter - company £'000	FRS 101 Year ended 31 March 2015 £'000
Intangible assets	2,949	-	319	-	183	-	3,451
Property, plant and equipment	2,437	-	(319)	-	-	-	2,118
	5,386	-	-	-	183	-	5,569
Inventories	4,262	-	-	-	-	-	4,262
Trade and other receivables	9,835	-	-	-	-	-	9,835
Cash and cash equivalents	1,205	-	-	-	-	-	1,205
Total current assets	15,302	-	-	-	-	-	15,302
Total assets	20,688	-	-	-	183	-	20,871
Creditors: amounts falling due within 1 year	(13,114)	(5)	-	(68)	-	3,509	(9,678)
Net current assets	2,188	(5)	-	(68)	-	3,509	5,624
Total assets less current liabilities	7,574	(5)	-	(68)	183	3,509	11,193
Creditors: amounts falling due in more than 1 year	-	-	-	-	-	(3,509)	(3,509)
Provisions for liabilities and charges	(1,519)	-	-	-	-	-	(1,519)
Net assets	6,055	(5)	-	(68)	183	-	6,165
Equity							
Called up share capital	250	-	-	-	-	-	250
Retained earnings	5,805	(5)	-	(68)	183	-	5,915
Total shareholders' funds	6,055	(5)	-	(68)	183	-	6,165

SURVITEC SERVICE & DISTRIBUTION LIMITED
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23. EXPLANATION OF TRANSITION TO FRS 101 (continued)

Analysis of FRS 101 adjustments to the statement of financial position as at 1 April

	UK GAAP As at 1 April 2014 £'000	IAS 19 £'000	Software reclassification £'000	FRS 101 As at 1 April 2014 £'000
Intangible assets	4,745	-	392	5,137
Property, plant and equipment	2,160	-	(392)	1,768
	6,905	-	-	6,905
Inventories	5,095	-	-	5,095
Trade and other receivables	13,057	-	-	13,057
Cash and cash equivalents	2,190	-	-	2,190
Total current assets	20,342	-	-	20,342
Total assets	27,247	-	-	27,247
Creditors: amounts falling due within 1 year	(18,873)	(10)	-	(18,883)
Net current assets	1,469	(10)	-	1,459
Total assets less current liabilities	8,374	(10)	-	8,364
Provisions for liabilities and charges	(1,245)	-	-	(1,245)
Net assets	7,129	(10)	-	7,119
Equity				
Called up share capital	250	-	-	250
Retained earnings	6,879	(10)	-	6,869
Total shareholders' funds	7,129	(10)	-	7,119

SURVITEC SERVICE & DISTRIBUTION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2015

23. EXPLANATION OF TRANSITION TO FRS 101 (continued)

IAS 19 short term employee benefits

FRS 101 requires short term employee benefits to be charged to the profit and loss account as the employee service is rendered. This has resulted in the company recognising a liability for holiday pay of £10,000 on transition to FRS 101. Previously holiday pay accruals were not recognised and were charged to the profit and loss account as they were paid. In the year to 31 March 2015 a reduction in the charge of £5,000 was recognised in the profit and loss account and the liability at 31 March 2015 was £5,000.

Financial instruments

FRS 101 requires derivative financial instruments to be recognised at fair value. Previously under UK GAAP the company did not recognise these instruments in the financial statements. Accordingly a liability of £68,000 has been recognised and a loss of £68,000 was recognised in the profit and loss account for the year ended 31 March 2015. There were no such adjustments required at 31 March 2014.

Goodwill

Under FRS 101, goodwill does not get amortised. Goodwill with a deemed cost of £3,132,000 has been transferred at the date of transition, 1 April 2014.

In addition to the transition adjustments identified above which affect profit for the financial year the following adjustments have arisen which have had no effect on net equity or profit and loss account but which have affected the presentation of these items on the balance sheet. The main items are:

Computer software reclassification

Computer software, with a net book value of £392,000 at 1 April 2014 and £319,000 at 31 March 2015, has been reclassified from tangible to intangible assets as required under FRS 101. This has no effect on the company's net assets nor on the profit for the year, except that the previous depreciation charge is now described as amortisation.

In addition to the IFRS transition adjustments discussed above, certain intercompany balances have been reclassified as due in more than one year.