

Registration number: 00553893

Survitec Service & Distribution Limited

Annual Report and Financial Statements

for the year ended 31 December 2019



Survitec Service & Distribution Limited

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Survitec Service & Distribution Limited

Company Information

Directors	S K Devani L E McClelland
Registered office	The Aspect, Fourth Floor 12 Finsbury Square London England EC2A 1AS
Solicitors	Latham & Watkins 99 Bishopsgate London EC2M 3XF
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

Survitec Service & Distribution Limited

Strategic Report for the Year Ended 31 December 2019

The directors present their Strategic Report for the year ended 31 December 2019.

Fair review of the business

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

The key performance indicators are revenue, profit before taxation and operating profit before depreciation, impairment and amortisation (adjusted EBITDA). The trading results of the Company show revenue for the year of £29,047,000 (2018: £32,317,000) and loss before taxation for the year of £3,354,000 (2018: £1,492,000). The increase in loss from the prior year is principally as a result of an impairment of amounts owed by group undertakings of £5,144,000 (2018: £nil) and an impairment of goodwill of £nil (2018: £3,134,000). During the year, management remained focused on resolving the operational challenges that impacted the business during the period, so that the business is well positioned to benefit from growth and efficiency improvements going forward.

Adjusted EBITDA for the year ended 31 December 2019 is £3,051,000 (year ended 31 December 2018: £2,591,000). Adjusted EBITDA for the year is calculated as follows:

	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Operating profit/(loss)	(3,069)	(1,286)
Add back: Depreciation and amortisation	976	743
Add back: Impairment of goodwill	-	3,134
Add back: Impairment of amounts owed by group undertakings	5,144	-
Adjusted EBITDA	<u>3,051</u>	<u>2,591</u>

The Company's statement of financial position shows that the Company's Net Assets have decreased from £6,364,000 at 31 December 2018 to £3,474,000 at 31 December 2019. The Company's Net Assets have decreased by £2,891,000 due to significant EBITDA (£3,051,000) netted off with an impairment in amounts owed by group undertakings resulting in a decrease in the amounts owed by group undertakings position.

Survitec Service & Distribution Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Company employees

The Company employed a monthly average of 213 employees in the current year (2018: 215).

Principal risks and uncertainties

The Company operates in competitive markets which is a continuing risk to the Company as sales could be lost to competitors. The Company manages this risk by providing a high standard of service to its customers, investing in new and existing products, responding quickly to customer 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 including the United Kingdom's decision to exit the European Union. The Company reacts to such risks through a combination of new and existing 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, development and quality controls and standards to ensure that its products meet all regulatory requirements and perform reliably when required.

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. The Company has not been significantly impacted by the pandemic and has continued to trade in the supply and servicing of safety at sea equipment, protective clothing, fibre products and commercial fishing gear. The Company has also re-prioritised its product mix to actively combat any repercussions from the global industrial trends. Although the Company has utilised government support during the crisis, employee safety and welfare have been Management's highest priority. To maintain a consistent and reliable output to customers, the Company has redefined its working patterns and formed workforce "bubbles" to support the changing needs of its people.

Approved by the Board on 9 December 2020 and signed on its behalf by:



.....
L E McClelland
Director

Survitec Service & Distribution Limited

Directors' Report for the Year Ended 31 December 2019

The directors present their report and the audited financial statements for the year ended 31 December 2019.

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 (appointed 14 May 2019)

J Denis (resigned 14 May 2019)

J E M Drummond (resigned 14 May 2019)

L M Millar (appointed 14 May 2019 and resigned 30 April 2020)

J C G Stocker (resigned 30 April 2019)

R Wilkinson (appointed 14 May 2019 and resigned 30 June 2020)

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

L E McClelland (appointed 3 April 2020)

Business review

The loss after tax for the year ended 31 December 2019 is £2,890,000 (year ended 31 December 2018: £1,598,000). 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 on the ordinary shares for the year ended 31 December 2019 (31 December 2018: £Nil).

Financial instruments

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, price risk and going concern. 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 24.3% (year ended 31 December 2018: 28.7%) 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.

Survitec Service & Distribution Limited

Directors' Report for the Year Ended 31 December 2019 (continued)

Credit risk

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

Liquidity risk

The Company generates more than sufficient funds to finance its ongoing operations and expansion. In the unlikely event of needing extra funds, the Company has access to sufficient available funds from Group undertakings for operations and planned expansion.

Interest rate risk

The Company has 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.

Political donations

During the year the Company made no political donations (year ended 31 December 2018: £Nil).

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 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.

Employee involvement

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

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

Future developments

Looking forward to future financial periods, there are strong revenue growth and cost reduction opportunities for the business to pursue both organically, inorganically and through new and existing product development. There is a programme in place to further align the business and organisational structure to its identified market opportunities, in turn delivering sustainable growth. In addition to enhanced market focus, the Company will continue to invest in the full integration of manufacturing and supply chain operations, giving the business the opportunity to meet customer demands while reducing cost and improving working capital investment. The Company will also continue to work on minimising any disruption from the United Kingdom's decision to leave the European Union.

Survitec Service & Distribution Limited

Directors' Report for the Year Ended 31 December 2019 (continued)

Research and development

To ensure that the Company maintains its strong position in the global marketplace, the Company continues to seek opportunities for investing in new and existing product development and research programmes. During the year, the Company has expensed £Nil (year ended 31 December 2018: £28,000) on research programmes.

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 Group has a net liability position as at 31 December 2019 (31 December 2018: net liability position).

As at 31 December 2019, the Company had net current assets of £4,047,000. The assets of the Company and the shares that the parent company owns in the Company, are pledged as collateral under Survitec Group's external bank loan and overdraft facilities ("the facilities"). This collateral would be at risk if a member of the Survitec Group defaults on obligations contained in the facilities agreement and liquidity and guarantees provided by the Group Treasury function, if and/or when required, would not be available. The Company has received a letter of support from Survitec Acquisition Company Limited which states the Directors' intention to provide sufficient funding to the Company for a period of at least 12 months from the date these financial statements are signed, to allow the company to settle its liabilities as they fall due. Below, the Directors' have considered the ability of the Group to provide this support.

In 2019, the Group required a restructuring review and discussion with its owners and lenders following the continued operational challenges from the prior year that have resulted in a continued impact on sales, delayed customer order fulfilment, duplication of costs and processes, and continued difficulty of the integration of the Wilhelmsen business into the Survitec business. Following this review, it was decided that a restructuring of the Group was required, and a process was begun in 2019.

As at 28 August 2020, the Group had successfully completed all aspects of its negotiated Restructuring, the terms of which were agreed in principle with all of the lenders under the Facilities (the "Lenders") on 6 December 2019 (the "Restructuring"). In accordance with the terms of the Restructuring, the Facilities were amended and restated and a committed new money facility amounting to £35,000,000 (the "New Money Facility") was made available to the Survitec Group by the Lenders, completing the first phase of the implementation of the Restructuring. This provides the Group with sufficient liquidity to meet its financial obligations over the next twelve months and, in particular, is being used to fund the business plan prepared by the Survitec Group's management team. A further £40,000,000 was made available on completion of the Restructuring and is available, if required, until February 2021.

The second phase of the Restructuring saw a portion of the amended and restated Facilities cancelled in exchange for newly issued shares in a Lender-owned newco structure, which acquired the entire issued share capital in Survitec Acquisition Company Limited (and therefore, indirectly, the Group) on 28 August 2020.

Survitec Service & Distribution Limited

Directors' Report for the Year Ended 31 December 2019 (continued)

Going concern (continued)

The COVID-19 epidemic had been an evolving situation since late 2019 and has developed rapidly during 2020 resulting in the pandemic. At 31 December 2019, the COVID-19 epidemic, is considered a non-adjusting event as it was still in relative infancy. Furthermore, given the information available at 31 December 2019, management determine that COVID-19 would not have had a material effect on the measurement of assets and liabilities at that date.

The resulting impact of the virus globally, and measures taken by various governments to contain the virus, have had a mixed impact on the Group's operations during 2020. Although certain industries in which the Group operates, specifically the cruise ship sector which has seen a decline in activity, other opportunities have been realised across the Group's diverse range of capabilities. Furthermore, the Group worked closely with its customers to manage the effects of the downturn in their respective markets and assist in a recovery.

Due to the global reach of the Group, it was given early insight into how governments around the world were responding to the pandemic and were able to work collaboratively with its customers in Q1 2020 to reforecast revenue and plan spending accordingly. Through the revision and rephasing of spending plans and additional cost savings the Group has been able to mitigate any material adverse impact on its operations and thus achieving these revised forecasts year to date for 2020. Additionally, whilst not material, to increase liquidity, the Group availed of COVID-19 government backed schemes where available in the regions. These proactive measures along with strong credit control has led to cash headroom increasing significantly throughout 2020. Although the future impact of COVID-19 globally is uncertain, management has determined that the actions that it has taken are sufficient to mitigate the impact throughout 2020 and beyond.

Group management have produced forecasts to December 2021 that have also been sensitised to reflect severe but plausible downside scenarios as a result of the COVID-19 pandemic and its impact on the global economy, which have been reviewed by the directors. Forecast Group revenue would need to decrease by 15% and savings not achieved leading to forecast costs increasing by 15% over the forecast period, before the Group would reach its minimum cash holding of £17,500,000 required by our facility agreement. Through both treasury and financial quarterly forecasting there is continuous focus on our cash and profitability position, mitigations would be implemented immediately to manage to maintain our minimum cash requirements.

The forecasts demonstrate that the Group is forecast to generate profits and cash in the year ending 31 December 2020 and beyond and that the Group and as a result, the Company, has sufficient cash reserves to enable the Group and Survitec Service & Distribution Limited to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

Having given consideration to the matters outlined above, the Directors' conclude that the Group has both intention and ability to provide support as required to enable Survitec Service & Distribution Limited to continue as a going concern for a period of at least 12 months from the date of signing these financial statements.

Directors' liabilities

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.

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.

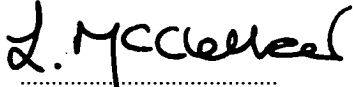
Survitec Service & Distribution Limited

Directors' Report for the Year Ended 31 December 2019 (continued)

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 have expressed their willingness to continue in office.

Approved by the Board on 9 December 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'L. McClelland', written over a dotted line.

L E McClelland
Director

Survitec Service & Distribution 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.

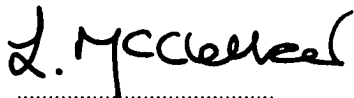
In preparing the financial statements, the directors are required to:

- 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 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.

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.

Approved by the Board on 9 December 2020 and signed on its behalf by:



.....
L E McClelland
Director

Independent auditors' report to the members of Survitec Service & Distribution Limited

Report on the audit of the financial statements

Opinion

In our opinion, Survitec Service & Distribution Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2019; the Income Statement, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Survitec Service & Distribution Limited (continued)

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 2019 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 set out on page 9, 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.

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.

Independent auditors' report to the members of Survitec Service & Distribution Limited (continued)

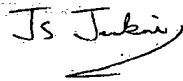
Other required reporting

Companies Act 2006 exception reporting

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

- we have not received 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.



Julian Jenkins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 December 2020

Survitec Service & Distribution Limited

Income Statement for the Year Ended 31 December 2019

		Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
	Note		
Revenue	4	29,047	32,317
Changes in inventories of finished goods and work in progress		(132)	(218)
Raw materials and consumables used		(15,335)	(17,584)
Employee benefits expense	5	(7,352)	(7,665)
Depreciation and amortisation expense	8	(976)	(743)
Impairment on goodwill	8	-	(3,134)
Impairment of amounts owed by group undertakings		(5,144)	-
Other operating expenses		<u>(3,177)</u>	<u>(4,259)</u>
Operating loss	8	<u>(3,069)</u>	<u>(1,286)</u>
Finance costs	9	<u>(285)</u>	<u>(206)</u>
Net finance cost		<u>(285)</u>	<u>(206)</u>
Loss before tax		(3,354)	(1,492)
Income tax credit/(expense)	10	<u>464</u>	<u>(106)</u>
Loss for the financial year		<u><u>(2,890)</u></u>	<u><u>(1,598)</u></u>

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

Survitec Service & Distribution Limited

(Registration number: 00553893)

Statement of Financial Position as at 31 December 2019

	Note	31 December 2019 £ 000	31 December 2018 £ 000
Non-current assets			
Intangible assets	11	14	108
Property, plant and equipment	12	2,510	2,640
Right of use assets	13	1,157	-
Deferred tax assets	10	897	433
		<u>4,578</u>	<u>3,181</u>
Assets			
Current assets			
Inventories	14	3,062	3,212
Trade and other receivables	15	7,537	10,729
Cash and cash equivalents	16	3,496	2,054
		<u>14,095</u>	<u>15,995</u>
Total assets		<u>18,673</u>	<u>19,176</u>
Equity and liabilities			
Equity			
Share capital	17	250	250
Accumulated profits		3,224	6,114
		<u>3,474</u>	<u>6,364</u>
Current liabilities			
Lease liabilities	19	356	-
Trade and other payables	20	4,726	6,403
Loans and borrowings	21	4,143	1,188
Contract liabilities	20	736	748
Provisions	22	87	103
		<u>10,048</u>	<u>8,442</u>
Non-current liabilities			
Lease liabilities	19	835	-
Provisions	22	842	842
Amounts due to Group undertakings	21	3,408	3,465
Other non-current financial liabilities	23	66	63
		<u>5,151</u>	<u>4,370</u>
Total liabilities		<u>15,199</u>	<u>12,812</u>
Total equity and liabilities		<u>18,673</u>	<u>19,176</u>

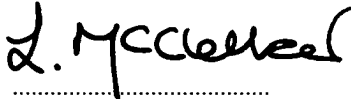
The notes on pages 17 to 50 form an integral part of these financial statements.

Survitec Service & Distribution Limited

(Registration number: 00553893)

Statement of Financial Position as at 31 December 2019 (continued)

Approved by the Board on 9 December 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'L. McClelland', written over a dotted line.

L E McClelland
Director

The notes on pages 17 to 50 form an integral part of these financial statements.

Survitec Service & Distribution Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Accumulated profits £ 000	Total £ 000
At 1 January 2019	250	6,114	6,364
Loss for the year	-	(2,890)	(2,890)
Total comprehensive income	-	(2,890)	(2,890)
At 31 December 2019	250	3,224	3,474

	Share capital £ 000	Accumulated profits £ 000	Total £ 000
At 1 January 2018	250	7,712	7,962
Loss for the year	-	(1,598)	(1,598)
Total comprehensive expense	-	(1,598)	(1,598)
At 31 December 2018	250	6,114	6,364

The notes on pages 17 to 50 form an integral part of these financial statements.

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1 General information

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

The address of its registered office is:

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

The principal activity of the Company is the supply and servicing of safety at sea equipment, protective clothing, fibre products and commercial fishing gear.

These financial statements were authorised for issue by the Board on 9 December 2020.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Please refer to note 25 for details on prior year adjustments.

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

The Company's financial statements are presented in their functional currency 'Pounds Sterling' (£) and rounded to the nearest £1,000, unless otherwise stated.

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (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 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 38A, 38S & 40A-D 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 Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (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 Group has a net liability position as at 31 December 2019 (31 December 2018: net liability position).

As at 31 December 2019, the Company had net current assets of £4,047,000. The assets of the Company and the shares that the parent company owns in the Company, are pledged as collateral under Survitec Group's external bank loan and overdraft facilities ("the facilities"). This collateral would be at risk if a member of the Survitec Group defaults on obligations contained in the facilities agreement and liquidity and guarantees provided by the Group Treasury function, if and/or when required, would not be available. The Company has received a letter of support from Survitec Acquisition Company Limited which states the Directors' intention to provide sufficient funding to the Company for a period of at least 12 months from the date these financial statements are signed, to allow the company to settle its liabilities as they fall due. Below, the Directors' have considered the ability of the Group to provide this support.

In 2019, the Group required a restructuring review and discussion with its owners and lenders following the continued operational challenges from the prior year that have resulted in a continued impact on sales, delayed customer order fulfilment, duplication of costs and processes, and continued difficulty of the integration of the Wilhelmsen business into the Survitec business. Following this review, it was decided that a restructuring of the Group was required, and a process was begun in 2019.

As at 28 August 2020, the Group had successfully completed all aspects of its negotiated Restructuring, the terms of which were agreed in principle with all of the lenders under the Facilities (the "Lenders") on 6 December 2019 (the "Restructuring"). In accordance with the terms of the Restructuring, the Facilities were amended and restated and a committed new money facility amounting to £35,000,000 (the "New Money Facility") was made available to the Survitec Group by the Lenders, completing the first phase of the implementation of the Restructuring. This provides the Group with sufficient liquidity to meet its financial obligations over the next twelve months and, in particular, is being used to fund the business plan prepared by the Survitec Group's management team. A further £40,000,000 was made available on completion of the Restructuring and is available, if required, until February 2021.

The second phase of the Restructuring saw a portion of the amended and restated Facilities cancelled in exchange for newly issued shares in a Lender-owned newco structure, which acquired the entire issued share capital in Survitec Acquisition Company Limited (and therefore, indirectly, the Group) on 28 August 2020.

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Going concern (continued)

The COVID-19 epidemic had been an evolving situation since late 2019 and has developed rapidly during 2020 resulting in the pandemic. At 31 December 2019, the COVID-19 epidemic, is considered a non-adjusting event as it was still in relative infancy. Furthermore, given the information available at 31 December 2019, management determine that COVID-19 would not have had a material effect on the measurement of assets and liabilities at that date.

The resulting impact of the virus globally, and measures taken by various governments to contain the virus, have had a mixed impact on the Group's operations during 2020. Although certain industries in which the Group operates, specifically the cruise ship sector which has seen a decline in activity, other opportunities have been realised across the Group's diverse range of capabilities. Furthermore, the Group worked closely with its customers to manage the effects of the downturn in their respective markets and assist in a recovery.

Due to the global reach of the Group, it was given early insight into how governments around the world were responding to the pandemic and were able to work collaboratively with its customers in Q1 2020 to reforecast revenue and plan spending accordingly. Through the revision and rephasing of spending plans and additional cost savings the Group has been able to mitigate any material adverse impact on its operations and thus achieving these revised forecasts year to date for 2020. Additionally, whilst not material, to increase liquidity, the Group availed of COVID-19 government backed schemes where available in the regions. These proactive measures along with strong credit control has led to cash headroom increasing significantly throughout 2020. Although the future impact of COVID-19 globally is uncertain, management has determined that the actions that it has taken are sufficient to mitigate the impact throughout 2020 and beyond.

Group management have produced forecasts to December 2021 that have also been sensitised to reflect severe but plausible downside scenarios as a result of the COVID-19 pandemic and its impact on the global economy, which have been reviewed by the directors. Forecast Group revenue would need to decrease by 15% and savings not achieved leading to forecast costs increasing by 15% over the forecast period, before the Group would reach its minimum cash holding of £17,500,000 required by our facility agreement. Through both treasury and financial quarterly forecasting there is continuous focus on our cash and profitability position, mitigations would be implemented immediately to manage to maintain our minimum cash requirements.

The forecasts demonstrate that the Group is forecast to generate profits and cash in the year ending 31 December 2020 and beyond and that the Group and as a result, the Company, has sufficient cash reserves to enable the Group and Survitec Service & Distribution Limited to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

Having given consideration to the matters outlined above, the Directors' conclude that the Group has both intention and ability to provide support as required to enable Survitec Service & Distribution Limited to continue as a going concern for a period of at least 12 months from the date of signing these financial statements.

Changes resulting from adoption of IFRS 16

IFRS 16 Leases became mandatorily effective on 1 January 2019. The company has applied this for the first time in this accounting period which resulted in changes to the accounting policies.

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Changes resulting from adoption of IFRS 16 (continued)

The Company transitioned to IFRS 16 using the modified retrospective approach and as a result the right-of use assets were equal to the lease liability, adjusted for any prepaid or accrued lease payments, at 1 January 2019. The prior period figures were not adjusted.

On adoption of IFRS 16, the company elected to apply the relief provisions available and has not reviewed contracts under the definition of a lease per IFRS 16, which had previously not been classified as leases under the principles of IAS 17. Therefore, only contracts entered into or modified on or after 1 January 2019 have the definition of a lease per IFRS 16 applied.

In addition, the company decided to apply recognition exemptions to leases with a term not exceeding 12 months and leases where the underlying assets are of low value.

For leases classified as operating leases under IAS 17, these lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The company has used the following practical expedients permitted by IFRS 16 when applying this for the first time to leases previously classified as operating leases:

- Applied a single discount rate to a portfolio of leases with similar characteristics
- Applied the exemption not to recognise liabilities for leases with less than 12 months of lease term remaining
- Excluded initial direct costs for the measurement of right-to-use assets at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Company has revised the presentation of operating leases at 31 December 2018 to include operating leases that have been identified during the transition to IFRS 16 as having previously been omitted from the disclosure of operating lease commitments. This resulted in an increase for the year ended 31 December 2018 from £2,238,000 to £2,653,000.

	Note	£ 000
Operating lease commitments as originally reported in the financial statements at 31 December 2018		2,238
Operating lease commitments omitted in error from the financial statements at 31 December 2018		415
Operating lease commitments as restated at 31 December 2018 (Note 25)		2,653
Recognition exemption for short-term leases		(118)
Recognition exemption for low-value assets		(431)
Gross future cashflows under IFRS 16		2,104
Operating lease commitments discounted at the incremental borrowing rate		(610)
Lease liabilities recognised at 1 January 2019		1,494

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average rate applied was 7.03%.

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (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 key revenue streams, sales of goods, sale of goods with installation and/or training, servicing of safety equipment and rental income. The Company's performance obligations and revenue recognition policy for each revenue stream is noted below.

Sale of goods

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

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

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

Sale of good with installation and/or training

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

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

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.

Leasing rental income

The company leases liferafts to customers. The company recognised revenue in line with IAS 17 until 31 December 2018 before transitioning to IFRS 16 from 1 January 2019, this transition had no impact on lessor accounting. 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 for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

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.

Foreign currency transactions and balances

Items included in the revised financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The revised 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.

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 Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (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 that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transactions affect 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 statement of financial position 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 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.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the company'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 for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Intangible Assets

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.

Research and development

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

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

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

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

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (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. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount and recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow 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.

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 disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating expenses' in the Income Statement.

Depreciation

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

Asset class	Depreciation method and rate
Leasehold improvements	over life of the lease
Plant and machinery	10-40% per annum

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.

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Inventories

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

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

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), 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. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the transaction. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

Cash and cash equivalents

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

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

Accounting policy applied until 31 December 2018 (IAS 17)

Leases as a lessee

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 over the full lease period, 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 for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Leases (continued)

Accounting policy applied until 31 December 2018 (IAS 17) (continued)

Leases as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. The Company will continue to recognise the leased asset in its statement of financial position.

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

The method for allocating gross earnings to accounting periods is referred to as the actuarial method. The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will be at a constant rate of return on the lessor's net investment in the lease over the lease term.

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

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Leases (continued)

Accounting policy applied from 1 January 2019 (IFRS 16)

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the company has the right to:

- Obtain substantially all the economic benefits from the use of the underlying asset, and;
- Direct the use of the underlying asset (eg direct how and for what purpose the asset is used)

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.

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 substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included in finance costs in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. 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.

The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Leases

Accounting policy applied from 1 January 2019 (IFRS 16) (continued)

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 lease assets, when new, that have a value of less than £4,375 (i.e. 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 statements.

Leases as the lessor

The Company's transition to IFRS 16 from 1 January 2019 had no change to the accounting policy for leases as a lessor from the accounting policy applied to 31 December 2018 (IAS 17). Please refer to the Leases as a lessor section under IAS 17 for more details.

Trade creditors

Trade creditors 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 creditors 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.

Management have implemented cashflow forecasting processes and entity-level business continuity planning to mitigate any risk associated with borrowings.

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Provisions

Provisions for liabilities are recognised when: i) the Company has a present legal or constructive obligation as a result of past events; ii) it is probable that an outflow of resources will be required to settle the obligation; and iii) the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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.

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, contract assets and lease receivables. Financial liabilities of the Company include trade and other payables, amounts due to group undertakings, obligations under leases and borrowings.

Initial recognition

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

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Financial instruments (continued)

Classification and measurement

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

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

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. The Company reclassifies its financial assets when, and only when its business model for managing those assets changes.

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.

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

Financial liabilities are recognised at fair value plus, in the case of financial instruments not at fair value through profit and loss (i.e. loans and receivables and other financial liabilities), transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs directly attributable to financial liabilities which are measured at fair value (i.e. fair value through profit and loss or derivatives) are recognised in the income statement as incurred.

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

Subsequent measurement of financial assets depends on the Company's business model for managing those financial assets and the cash flow characteristics of those financial assets. 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. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement.

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Financial instruments (continued)

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 (see below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income and expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Impairment of financial assets

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

Derecognition

Financial assets

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

Financial liabilities

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

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Financial instruments (continued)

Offsetting financial instruments

Financial assets and liabilities

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.

3 Critical accounting 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 estimates and judgements have had the most significant effect on amounts recognised in the financial statements:

Provisions - Dilapidation (estimate)

There are a number of properties under repairing lease arrangements requiring the properties to be reinstated to their original state when vacating the property. Provision has been made for the full value of reparation to the buildings' original configuration. The key sources of estimation uncertainty arise from the estimation of the normal wear and tear in a building together with the estimate of the amount of work required to restore the building to its original condition in situations where the company has changed the original configuration. The Company's estimates make use of third party valuations from prior periods, updated for changes in building condition and configuration.

Recognition of deferred tax asset (judgement)

As stated in Note 10, deferred taxation assets of £897,000 have been recognised as at 31 December 2019. Due to the forecast profitability profile of the company, it now seems more likely than not that sufficient taxable profits will arise from which temporary differences can be deducted. For this reason, these temporary differences have been recognised in full in the current year. For the year ended 31 December 2018 the deferred tax assets of £433,000 were recognised.

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

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

Impairment of amounts owed by group undertakings (estimate)

The Company reviews amounts due from group companies regularly for any indication of an expected credit loss under IFRS 9.

The determination of the recoverable amount of the amounts due from group companies involves the use of estimates by management. The Company has reviewed amounts due from group companies as one balance as opposed to reviewing individual balances and have concluded that the entities in the Group do not have sufficient liquid resources to pay all liabilities from group companies due on demand. When reviewing the amounts owed from group undertakings, the Company considered the expected credit loss using both a value in use model and a fair value on sale of the businesses by the Company's parent company, Survitec Group Limited.

The Company has determined that the most likely scenario for recovery of a portion of this balance is to seek to sell the Group's trade and assets considering significant deficits and bank loans within the Group. Survitec Group Limited owns all trade entities within the Survitec Group and would sell the trade and assets of those entities.

Post-tax cash flow projections were completed by the Group for year ended 31 December 2019 which indicated an EBITDA multiple for the Group of 4.4x. Survitec Group Limited has therefore used this multiple, discounted for the period to disposal (estimated at 2 years and at a 3% discount rate) and used this to calculate the potential credit loss. It is expected that Survitec Group Limited will then take the proceeds earned from the sale of the trade and assets and pro-rata the proceeds across all remaining related party balances. The Company can therefore determine the loss on default of amounts owed by Survitec Group Limited and the loss on default of the remaining amounts owed from group companies is expected to be 100%.

On this basis, an impairment of £5,144,000 (Year ended 31 December 2018: £Nil) against amounts owed from group companies has been recognised.

The key estimate is the calculation is the EBITDA multiple which derives from the post-tax cash flow projections as noted above. Key sensitives within the post-tax cash flow projections are EBITDA growth rate and WACC. If the EBITDA growth rate percentage and WACC percentage increased or decreased by 0.5%, the implied change in the EBITDA multiple would be +/- 0.3.

If the EBITDA multiple moved by +/-0.3 the level of total impairment would increase by £249,000 or decrease by £644,000.

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

4 Revenue

The analysis of the company's turnover for the year by class of business is as follows:

	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Revenue from contracts with customers	27,463	30,717
Leasing	1,584	1,600
	<u>29,047</u>	<u>32,317</u>

The analysis of the company's turnover for the year by market is as follows:

	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
UK	21,996	23,027
Rest of world	7,051	9,290
	<u>29,047</u>	<u>32,317</u>

5 Employee benefits expense

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

	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Wages and salaries	6,492	6,812
Social security costs	625	657
Pension costs, defined contribution scheme	235	196
	<u>7,352</u>	<u>7,665</u>

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

	Year ended 31 December 2019 No.	Year ended 31 December 2018 No.
Management and administration	66	95
Sales and distribution	147	120
	<u>213</u>	<u>215</u>

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

6 Directors' remuneration

The directors' remuneration for the year was as follows:

	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Remuneration	<u>-</u>	<u>232</u>

In respect of the highest paid director:

	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Remuneration	<u>-</u>	<u>232</u>

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. Throughout the year four 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.

7 Auditors' remuneration

	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Audit of the financial statements	<u>84</u>	<u>60</u>

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

8 Operating profit/(loss)

Arrived at after charging/(crediting)

	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Depreciation expense	483	504
Depreciation on right of use assets - Property	280	-
Depreciation on right of use assets - Other	114	-
Amortisation expense	99	239
Research and development expenditure	-	28
Impairment of goodwill	-	3,134
Impairment of amounts owed by Group undertakings	5,144	-
Foreign exchange gains	(184)	(94)
Operating lease expense - other	-	965
Loss/(gain) on disposal of property, plant and equipment	8	(5)
Expense on short term leases (over one month)	118	-
Expense on low value leases	143	-
Auditors' remuneration	84	60
	<u>285</u>	<u>206</u>

9 Finance costs

	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Interest charged by group undertakings	193	206
Interest expense on leases	92	-
	<u>285</u>	<u>206</u>

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

10 Income tax

Tax (credit)/expense in the income statement

	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Deferred taxation		
Arising from origination and reversal of temporary differences	(111)	110
Arising from changes in tax rates and laws	12	(12)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(365)	8
Total deferred taxation	<u>(464)</u>	<u>106</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Loss before tax	<u>(3,354)</u>	<u>(1,492)</u>
Corporation tax at standard rate	(637)	(283)
Adjustments in respect of prior periods	(365)	8
Effects of changes in tax rates	12	(12)
Effects of impairment of amounts owed by group undertakings	977	-
Group tax relief claimed for nil consideration	(452)	(212)
Expenses not deductible for tax purposes	1	605
Total tax (credit)/charge	<u>(464)</u>	<u>106</u>

The average tax rate for the current year is 19% (2018: 19%). The Corporation tax rate decreased to 19% from April 2017. A further reduction in UK Corporation tax rate was enacted as part of the Finance Act 2016 (substantially enacted on 6th September 2016, and fully enacted on 15th September 2016). This would reduce the main rate of Corporation tax to 17% from April 2020.

However, as part of the March 2020 Budget, it was confirmed that the main rate of Corporation Tax would remain at 19%. This was substantively enacted for IFRS and UK GAAP purposes on 17 March 2020 and is therefore a non-adjusting event after the reporting period for the purposes of these financial statements

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

10 Income tax (continued)

Deferred tax

Deferred tax asset

	Asset £ 000
2019	
Depreciation in excess of capital allowances	890
Temporary differences (trading)	7
	<u>897</u>
2018	
Depreciation in excess of capital allowances	427
Temporary differences (trading)	6
	<u>433</u>

Deferred tax movement during the year:

	At 1 January 2019 £ 000	Recognised in income £ 000	At 31 December 2019 £ 000
Depreciation in excess of capital allowances	427	463	890
Temporary differences (trading)	6	1	7
Net tax assets/(liabilities)	<u>433</u>	<u>464</u>	<u>897</u>

Deferred tax movement during the prior year:

	At 1 January 2018 £ 000	Recognised in income £ 000	At 31 December 2018 £ 000
Depreciation in excess of capital allowances	535	(108)	427
Temporary differences (trading)	4	2	6
Net tax assets/(liabilities)	<u>539</u>	<u>(106)</u>	<u>433</u>

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

11 Intangible assets

	Computer Software £ 000	Development expenditure £ 000	Total £ 000
Cost			
At 1 January 2019	844	555	1,399
Additions	5	-	5
Disposals	(118)	(2)	(120)
At 31 December 2019	<u>731</u>	<u>553</u>	<u>1,284</u>
Amortisation			
At 1 January 2019	801	490	1,291
Amortisation charge for the year	34	65	99
Amortisation eliminated on disposals	(118)	(2)	(120)
At 31 December 2019	<u>717</u>	<u>553</u>	<u>1,270</u>
Carrying amount			
At 31 December 2019	<u>14</u>	<u>-</u>	<u>14</u>
At 31 December 2018	<u>43</u>	<u>65</u>	<u>108</u>

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 2019 the total value of intangible assets subject to such charge was £14,000. (31 December 2018: £108,000).

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

12 Property Plant and Equipment

	Leasehold improvements £ 000	Plant and machinery £ 000	Total £ 000
Cost			
At 1 January 2019	30	6,643	6,673
Additions	-	421	421
Disposals	(30)	(678)	(708)
At 31 December 2019	-	6,386	6,386
Depreciation			
At 1 January 2019	28	4,005	4,033
Charge for the year	-	483	483
Eliminated on disposal	(28)	(612)	(640)
At 31 December 2019	-	3,876	3,876
Carrying amount			
At 31 December 2019	-	2,510	2,510
At 31 December 2018	2	2,638	2,640

Plant and machinery includes computer equipment, motor vehicles and survival suits.

Under the terms of the Group's facilities agreement, the Company has a fixed and floating charge over the assets held by Group companies that are subject to the finance recourse group. As at 31 December 2019, the total value of property, plant and equipment subject to such charge was £2,510,000 (31 December 2018: £2,640,000).

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

13 Right of use assets

	Property £ 000	Other £ 000	Total £ 000
Cost or valuation			
Upon first time adoption of IFRS 16 at 1 January 2019	1,308	186	1,494
Additions	-	57	57
At 31 December 2019	<u>1,308</u>	<u>243</u>	<u>1,551</u>
Depreciation			
Charge for the year	<u>280</u>	<u>114</u>	<u>394</u>
At 31 December 2019	<u>280</u>	<u>114</u>	<u>394</u>
Carrying amount			
At 31 December 2019	<u><u>1,028</u></u>	<u><u>129</u></u>	<u><u>1,157</u></u>

14 Inventories

	31 December 2019 £ 000	31 December 2018 £ 000
Raw materials and consumables	253	271
Work in progress	180	247
Finished goods and goods for resale	<u>2,629</u>	<u>2,694</u>
	<u><u>3,062</u></u>	<u><u>3,212</u></u>

Provisions against inventory at the start of the year totalling £225,569 (year ended 31 December 2018 £93,054) were released to raw materials and consumables during the year. Provisions against inventory as at 31 December 2019 are £385,608 (Year ended 31 December 2018: £566,816).

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

15 Trade and other receivables

	31 December 2019 £ 000	31 December 2018 £ 000
Trade receivables	3,044	3,416
Provision for impairment of net trade receivables	(9)	(20)
Net trade receivables	3,035	3,396
Amounts owed by Group undertakings	4,117	6,593
Prepayments	384	485
Other receivables	1	255
	<u>7,537</u>	<u>10,729</u>

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.

The Company applies IFRS 9 when measuring expected credit losses for all trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2019 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. On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 (on adoption of IFRS 9) was deemed to be not materially different to that provision carried under IAS 39. The default rate on receivables during the period is <1% (2018: <1%).

The Company has considered the expected credit loss of amount due from group undertakings in accordance with IFRS 9. These amounts are due on demand and the company has assessed as to whether the group undertakings have sufficient liquid resources to pay this balance immediately.

16 Cash and cash equivalents

	31 December 2019 £ 000	31 December 2018 £ 000
Cash at bank	<u>3,496</u>	<u>2,054</u>

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

17 Share capital

Allotted, called up and fully paid shares

	31 December 2019		31 December 2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary Shares of £1 each	<u>250</u>	<u>250</u>	<u>250</u>	<u>250</u>

18 Operating lease (Accounting policy applied until 31 December 2018 (IAS 17))

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

	(As restated) 31 December 2018 £ 000
Within one year	714
Later than one year and not later than five years	1,464
Later than five years	<u>60</u>
	<u>2,238</u>
Operating lease commitments omitted in error from the financial statements at 31 December 2018	<u>415</u>
Operating lease commitments as restated 31 December 2018 (note 25)	<u>2,653</u>

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

19 Leases

Lease liabilities maturity analysis

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

	31 December 2019 £ 000
Within one year	356
Later than one year and not later than five years	747
Later than five years	88
Total lease liabilities (discounted)	<u><u>1,191</u></u>

Total cash outflows related to leases

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

	31 December 2019 £ 000
Payment	
Payment of capital element of lease liabilities	436
Interest	52
Low value leases	143
Short term leases	118
Total cash outflow	<u><u>749</u></u>

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

20 Trade and other payables

	31 December 2019 £ 000	31 December 2018 £ 000
Trade Payables	2,319	3,721
Amounts due to Group undertakings	1,548	1,649
Social security and other taxes	251	441
Other Payables	409	228
Accrued expenses	199	364
	<u>4,726</u>	<u>6,403</u>

Amounts due to Group undertakings are unsecured, bear interest between 0% - 6% and repayable on demand.

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

	31 December 2019 £ 000	31 December 2018 £ 000
Contract liabilities recognised at start of the period	748	721
Revenue recognised that was included in contract liabilities at the beginning of the period	(748)	(721)
Amounts invoiced during the year which did not meet revenue recognition criteria during the year	736	748
Balance at the end of the period	<u>(736)</u>	<u>(748)</u>

Contract liabilities are expected to unwind within 12 months of the period end.

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

21 Loans and borrowings

	31 December 2019 £ 000	31 December 2018 £ 000
Non-current loans and borrowings		
Amounts due to Group undertakings	<u>3,408</u>	<u>3,465</u>

Amounts owed to Group undertakings has interest charged between 0% - 6% which is unsecured and repayable on 30 September 2024.

	31 December 2019 £ 000	31 December 2018 £ 000
Current loans and borrowings		
Bank overdrafts	<u>4,143</u>	<u>1,188</u>

22 Provisions

	Warranties £ 000	Dilapidations £ 000	Total £ 000
At 1 January 2019	70	875	945
Provisions used	-	(11)	(11)
Unused provision reversed	<u>(5)</u>	<u>-</u>	<u>(5)</u>
At 31 December 2019	<u>65</u>	<u>864</u>	<u>929</u>
Non-current liabilities	<u>-</u>	<u>842</u>	<u>842</u>
Current liabilities	<u>65</u>	<u>22</u>	<u>87</u>
	Warranties £ 000	Dilapidations £ 000	Total £ 000
At 1 January 2018	66	1,034	1,100
Increase (decrease) in existing provisions	4	-	4
Provisions used	<u>-</u>	<u>(159)</u>	<u>(159)</u>
At 31 December 2018	<u>70</u>	<u>875</u>	<u>945</u>
Non-current liabilities	<u>-</u>	<u>842</u>	<u>842</u>
Current liabilities	<u>70</u>	<u>33</u>	<u>103</u>

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

22 Provisions (continued)

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. It is expected that the warranty provision will be released when the warranty expires.

Dilapidations relate to the cost of putting property back in its original condition at the end of its lease term. The dilapidation provision is expected to be utilised over the lease terms of the related properties.

23 Other non-current financial liabilities

	31 December 2019 £ 000	31 December 2018 £ 000
Other non-current financial liabilities	66	63

Other non-current financial liabilities are interest free and unsecured.

24 Contingent liabilities

The Company has cross-guaranteed the repayment of bank loans of certain entities in the Survitec Acquisition Company Limited group amounting to £463,245,000 (year ended 31 December 2018 (as restated, note 25: £436,499,000)).

The Company has guarantees and performance bonds outstanding amounting to £425,000 (2018: £475,000).

25 Prior year adjustment

Contingent Liabilities

In the prior year, contingent liabilities for the cross-guarantee of the repayment of bank loans of certain entities in the Survitec Acquisition Company Limited group were disclosed as £448,872,000 in error. This has been corrected to £436,499,000 at 31 December 2018. There is no impact on the reported results or equity as a result of this adjustment.

Operating lease commitments

The future commitments disclosure in relation to operating leases where a company is the lessee was understated in the prior year due to omission of various leases. There is no impact on the reported results or equity as a result of this adjustment. The restated disclosure is as follows:

	As previously stated £'000	Adjustment £'000	As restated £'000
Financial Period			
31 December 2018	2,238	415	2,653

Survitec Service & Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

26 Parent and ultimate parent undertaking

The company's immediate parent is Survitec Group Limited.

The ultimate parent is Survitec Acquisition Company Limited.

The most senior parent entity producing publicly available financial statements is Survitec Acquisition Company Limited. These financial statements are available upon request from the Company Secretary, c/o Survitec Group Limited, The Aspect, Fourth Floor, 12 Finsbury Square, London, EC2A 1AS. This is the smallest and largest parent undertaking that consolidates the results of this Company.

The ultimate controlling party is The Board of Directors of Survitec Acquisition Company Limited.

27 Non adjusting events after the financial period

The COVID-19 pandemic

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. The Company has taken a number of measures to monitor and mitigate the effects of COVID-19, such as health and safety measures for our people (including social distancing and working from home). Under IAS 10, the impacts of the COVID-19 pandemic are a non-adjusting event, however the impacts of the pandemic have been considered in the assessment of going concern, details of which are included within note 2. At this stage, the impact on the Company and their results has been effectively managed and mitigated and based on Management's experience to date, this is expected to remain the case. Group-wide, operating in a global industry has allowed the Survitec Group to prepare operating regions who were impacted later by the pandemic including the UK. In addition, Management have actively worked to protect the health of the Company by managing the loss in contribution by rapidly instigating cost saving exercises. Management will continue to follow the various government policies and advice and, in parallel, will do their utmost to continue operations in the best and safest way possible without jeopardising the health of the Group's people.

Change in control

Post year end, following restructuring of the Survitec Group, the ultimate controlling party became Ark Topco Limited. Please refer to note 2 for further detail.