SURVITEC SERVICE & DISTRIBUTION LIMITED

(Registered No. 00553893)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

SURVITEC SERVICE & DISTRIBUTION LIMITED

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SURVITEC SERVICE & DISTRIBUTION LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS
B M Stringer
C R Bates (resigned 16th August 2018)
C G Stocker
R P Wilkinson (resigned 10th January 2018)
S C Else (resigned 12th December 2017)
J S Rugman (appointed 10th January 2018, resigned 30th August 2018)
J Denis (appointed 10th January 2018)

COMPANY SECRETARY
S Lewis

REGISTERED OFFICE
1-5 Beaufort Road
Birkenhead
Merseyside
CH41 1HQ

INDEPENDENT AUDITORS
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

SOLICITOR
Latham & Watkins
99 Bishopsgate
London
EC2M 3XF

SURVITEC SERVICE & DISTRIBUTION LIMITED

STRATEGIC REPORT

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

REVIEW OF THE BUSINESS

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

The key performance indicators are revenue, profit before taxation and EBITDA. These key performance indicators are discussed in the Business Review.

The trading results of the Company for the year have been satisfactory with revenue for the period of £32,761,000 (Year ended 31 December 2016: £35,361,000) and profit before taxation for the period of £924,000 (Year ended 31 December 2016: profit of £1,217,000).

EBITDA for the period is calculated as follows:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Operating Profit	967	1,451
Depreciation and amortisation	886	802
EBITDA	1,853	2,553
EBITDA margin	5.7%	7.2%

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

The statement of financial position on page 15 shows that net assets have increased from £6,649,000 at 31 December 2016 to £7,962,000 at 31 December 2017.

STRATEGIC REPORT (continued)

REVIEW OF THE BUSINESS (continued)

The Company employed a monthly average of 226 (Year ended 31 December 2016: 246) employees in the current period.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

Approved by the Board and signed on its behalf by:

4th January 2019

J C G Stocker
Director

SURVITEC SERVICE & DISTRIBUTION LIMITED

DIRECTORS' REPORT

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

FUTURE DEVELOPMENTS

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

DIVIDENDS

The directors did not recommend a payment of a dividend for the year ended 31 December 2017 (Year ended 31 December 2016: £Nil).

FINANCIAL RISK MANAGEMENT

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

FOREIGN EXCHANGE RISK

The Company, whilst based in the UK, operates in geographically diverse locations, with 29% (Year ended 31 December 2016: 29%) of its sales being made outside the UK. It is therefore exposed to movements in exchange rates. The Company seeks to minimise the impact of the movement in exchange rates on its local operations by the use of multi-sourcing of its key materials and the use of foreign exchange contracts.

CREDIT RISK

The Company's principal financial assets are cash and trade and other receivables.

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

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

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

INTEREST RATE RISK

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

PRICE RISK

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

GOING CONCERN

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

DIRECTORS

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

B M Stringer
C R Bates (resigned 16th August 2018)
C G Stocker
R P Wilkinson (resigned 10th January 2018)
S C Else (resigned 12th December 2017)
J S Rugman (appointed 10th January 2018, resigned 30th August 2018)
J Denis (appointed 10th January 2018)

DIRECTORS' INDEMNITIES

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

EMPLOYEE INVOLVEMENT

During the period average monthly employee numbers have reduced by 18 bringing them to 228.Employees are kept informed of any relevant information through regular management and employee review meetings.

DISABLED EMPLOYEES

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

POLITICAL DONATIONS

During the period the Company made no political donations (Year ended 31 December 2016: nil).

RESEARCH AND DEVELOPMENT

The Company is currently undertaking research and development in respect of improvements to the production process and the development of new products. Research expenditure is expensed as incurred and amounted to £84,000 in the year (Year ended 31 December 2016: £243,000). The total capitalised development costs in 2017 amounted to £110,000 (Year ended 31 December 2016: £264,000).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and 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 and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director in office at the date the Directors' Report is approved:

- so far as the directors' are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has 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.

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

The Company has elected to dispense with the holding of annual general meetings, the laying of 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 and signed on its behalf by:

4th January 2019

J C G Stocker
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 2017 and of its profit 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 2017; the income statement, the statement of changes in equity for the year ended 31 December 2017; 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 when:

- 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.

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 2017 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.

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

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 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.

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.

JS Jenkins

Julian Jenkins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 January 2019

SURVITEC SERVICE & DISTRIBUTION LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
REVENUE	4	32,761	35,361
Change in inventories of finished goods and work in progress		(111)	(684)
Raw materials and consumables used		(19,087)	(19,709)
Employee benefits expense	5	(7,104)	(7,483)
Depreciation and amortisation		(886)	(802)
Other operating expenses		(4,606)	(5,232)
OPERATING PROFIT		967	1,451
Finance costs	7	(193)	(234)
PROFIT BEFORE TAXATION	6	774	1,217
Tax on profit	8	539	-
PROFIT FOR THE FINANCIAL PERIOD		1,313	1,217

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

The notes on pages 16 to 35 form part of these financial statements.

SURVITEC SERVICE & DISTRIBUTION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	31 December 2017 £'000	31 December 2016 £'000
FIXED ASSETS			
Intangible assets	9,10	3,514	3,739
Property, plant and equipment	11	2,425	2,011
		5,939	5,750
CURRENT ASSETS			
Inventories	12	3,295	3,576
Trade and other receivables	13	5,771	8,392
Cash and cash equivalents	14	4,046	1,436
		13,112	13,404
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(6,494)	(8,164)
NET CURRENT ASSETS		6,618	5,240
TOTAL ASSETS LESS CURRENT LIABILITIES		12,557	10,990
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(3,495)	(3,516)
Provisions for liabilities	16	(1,100)	(825)
NET ASSETS		7,962	6,649
EQUITY			
Called up share capital	18	250	250
Retained earnings		7,712	6,399
TOTAL SHAREHOLDERS' FUNDS		7,962	6,649

The notes on pages 16 to 35 form part of these financial statements.

The financial statements of Survitec Service & Distribution Limited, registered number 553893, were approved by the Board of Directors and authorised for issue on 4th January 2019.

They were signed on its behalf by:

J C G Stocker
Director

SURVITEC SERVICE & DISTRIBUTION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £'000	**Retained earnings £'000**	**Total shareholders' funds £'000**
At 1 January 2016	250	5,182	5,432
Profit for the financial year	-	1,217	1,217
At 31 December 2016	**250**	**6,399**	**6,649**
Profit for the financial year	-	1,313	1,313
At 31 December 2017	**250**	7,712	**7,962**

1. GENERAL INFORMATION

The financial statements of Survitec Service & Distribution Limited, (the Company) for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 4th January 2019. Survitec Service & Distribution Limited is a limited company incorporated and domiciled in England and Wales. The registered office of the company is 1-5 Beaufort Road, Birkenhead, Merseyside, CH41 1HQ. The principal activity of the Company is the supply of safety at sea equipment, protective clothing, fibre products and commercial fishing gear. Information on its ultimate parent company is presented in note 21.

2. EXEMPTION FROM PREPARING GROUP FINANCIAL STATEMENTS

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

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

3. STATEMENT OF ACCOUNTING POLICIES

BASIS OF PREPARATION

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

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

The 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 if IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1 'Presentation of financial statements' comparative information requirements in respect of;
  i) Paragraph 79(a)(iv) of IAS 1;
  ii) Paragraph 73(e) of IAS 16 Property, plant and equipment;

3. STATEMENT OF ACCOUNTING POLICIES (continued)

BASIS OF PREPARATION (continued)

iii) Paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period);

- The following paragraphs of IAS 1, 'Presentation of financial statements':

i) 10(d), (statement of cash flows);

ii) 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
iii) 16 (statement of compliance with all IFRS);
iv) 111 (cash flow statement information), and;
v) 134 – 136 (capital management disclosures).

- IAS 7, 'Statement of cash flows';
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

GOING CONCERN

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

DIVIDEND DISTRIBUTION

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

3. STATEMENT OF ACCOUNTING POLICIES (continued)

INTANGIBLE ASSETS

a) Goodwill

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

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

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

b) Computer software

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

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

3. STATEMENT OF ACCOUNTING POLICIES (continued)

INTANGIBLE ASSETS (continued)

- The expenditure attributable to the software product during its development can be reliably measured.

Computer software development costs recognised as assets are amortised over their useful lives, which does not exceed 10 years.

c) Research and development

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

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

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

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

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

3. STATEMENT OF ACCOUNTING POLICIES (continued)

FOREIGN CURRENCY

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

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

REVENUE RECOGNITION

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

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

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

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

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

3. STATEMENT OF ACCOUNTING POLICIES (continued)

OTHER INCOME

(a) Interest income

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

(b) Dividend income

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

PROPERTY, PLANT AND EQUIPMENT (continued)

	%	
Leasehold property improvements	over life of lease	
Plant and machinery	10 to 40	per annum

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

3. STATEMENT OF ACCOUNTING POLICIES (continued)

IMPAIRMENT OF NON FINANCIAL ASSETS

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

FINANCIAL ASSETS

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets of the Company include cash and cash equivalents, trade and other receivables, and favourable derivative financial instruments. Financial liabilities of the Company include trade and other payables, amounts due to related parties, obligations under leases, loans, and unfavourable derivative financial instruments.

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

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

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

3. STATEMENT OF ACCOUNTING POLICIES (continued)

FINANCIAL ASSETS (continued)

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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.

LEASES

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

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

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

3. STATEMENT OF ACCOUNTING POLICIES (continued)

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

INVENTORIES

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

TAXATION

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

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transactions affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

3. STATEMENT OF ACCOUNTING POLICIES (continued)

TAXATION (continued)

Deferred income tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

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

PENSION COSTS

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

TRADE AND OTHER RECEIVABLES

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

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

CASH AND CASH EQUIVALENTS

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

SHARE CAPITAL

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

3. STATEMENT OF ACCOUNTING POLICIES (continued)

CREDITORS

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

JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Non recognition of deferred tax asset

As stated in Note 17, deferred taxation assets of £10,000 (Period ended 31 December 2016 : £554,000) have not been recognised due to the uncertainty over their recovery. Deferred tax assets not recognised relate entirely to non-trade loan relationship deficits. The deferred tax assets will be recognised when it is considered more likely than not they will be utilised against future non-trade loan relationship income arising

Provisions for Liabilities and Charges –Dilapidations

There are 11 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 using Vail Williams LLP estimates contained in their report dated October 2015.

4. REVENUE

Revenue by geographical destination is as follows:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
United Kingdom	23,334	24,951
Overseas	9,427	10,410
	32,761	35,361

5. EMPLOYEE BENEFITS EXPENSE

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

	Year ended 31 December 2017	Year ended 31 December 2016
	No.	No.
Management and administration	101	106
Sales and distribution	127	140
Total	228	246

Their aggregate remuneration comprised:	£'000	£'000
Wages and salaries	6,276	6,657
Social security costs	653	625
Pension costs	175	201
Total	7,104	7,483

DIRECTORS' REMUNERATION

	Year ended 31 December 2017	Year ending 31 December 2016
	£'000	£'000
Emoluments	96	240
Company contributions to personal pension plans	7	9
Benefits in kind – Health care	1	-
	104	249

One director is accruing benefits under defined contribution pension plans (Year ended 31 December 2016: two).

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

6. PROFIT BEFORE TAXATION

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Profit before taxation is stated after charging/(crediting):		
Research and non – qualifying development expenditure	84	243
Depreciation and amortisation	886	802
Rentals payable under operating leases:	794	750
Auditors' remuneration for audit of the financial statements	52	53
Foreign exchange difference	18	503
(Profit)/Loss on sale of property, plant and equipment	(17)	(9)

7. FINANCE COSTS

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
On bank loans and overdrafts	2	29
Interest payable to Group undertakings	191	205
Finance costs	193	234

8. TAX ON PROFIT

The Company had £539,355 deferred tax credit for the year (year ended 31 December 2016: £nil). The Company recognised a deferred tax credit for the period of (£539,355) (year ended 31 December 2016 : £nil). The total tax credit for the year is explained below;

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Profit before taxation	774	1,217
Current tax at 19.25% (Period ended 31st December 2016: 20%)	149	243
Effects of:		
Expenses not deductible for tax purposes	6	2
Other temporary differences	(14)	29
Group relief claimed	(41)	(274)
Deferred tax recognised	(639)	-
Tax on profit	(539)	-

The tax rate for the current period is lower than the prior year due to changes in the UK Corporation Tax rate which decreased from 20% to 19.25% from 1 April 2016. Accordingly, the company's taxable profits are taxed at a rate of 20% during the year. Further reductions to the UK Corporation Tax rate were substantively enacted as part of the Finance Act 2015 (substantively enacted on 26 October 2015). These reduce the main rate of tax to 19% from 1 April 2017 and to 18% from 1 April 2020.

9. GOODWILL

	Goodwill £'000
COST AND NET BOOK VALUE	
As at 31 December 2016 and 31 December 2017	3,134

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

10. INTANGIBLE ASSETS

	Development expenditure £'000	Computer software £'000	Total £'000
COST			
At 1 January 2017	506	806	1,312
Additions	110	30	140
At 31 December 2017	616	836	1,452
ACCUMULATED AMORTISATION			
At 1 January 2017	92	615	707
Charge for the period	228	136	364
At 31 December 2017	321	751	1,072
NET BOOK VALUE			
At 31 December 2017	295	85	380
At 31 December 2016	414	191	605

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 2017, the total value of intangible assets subject to such charge was £380,000.

11. PROPERTY, PLANT AND EQUIPMENT

	LEASEHOLD PROPERTY IMPROVEMENTS	PLANT AND MACHINERY	TOTAL
	£'000	£'000	£'000
COST			
At 1 January 2017	171	6,135	6,306
Additions	-	965	965
Disposals	(3)	(619)	(622)
At 31 December 2017	168	6,481	6,649
ACCUMULATED DEPRECIATION			
At 1 January 2017	123	4,172	4,295
Charge for the period	15	507	522
Disposals	(3)	(590)	(593)
At 31 December 2017	135	4,089	4,224
NET BOOK VALUE			
At 31 December 2017	33	2,392	2,425
At 31 December 2016	48	1,963	2,011

Plant and machinery includes motor vehicles.

Under the terms of the Company's facilities agreement, the Company has granted a fixed and floating charge over the assets held by group companies that are subject to the finance recourse group. As at 31 December 2017, the total value of property, plant and equipment subject to such charge was £2.4m.

12. INVENTORIES

	31 December 2017	31 December 2016
	£'000	£'000
Raw materials and consumables	339	509
Work in progress	166	111
Finished goods and goods for resale	2,790	2,956
	3,295	**3,576**

13. TRADE AND OTHER RECEIVABLES

	31 December 2017 £'000	31 December 2016 £'000
Amounts falling due within one year:		
Trade receivables	3,904	4,985
Amounts owed by Group undertakings	805	2,722
Other receivables	49	79
Prepayments and accrued income	474	606
Deferred tax (note 17)	539	-
	5,771	8,392

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

Trade receivables are non-interest bearing and generally on 30-60 days' terms and are shown net of a bad debt provision of £27,000 (31 December 2016: £45,000) for estimated irrecoverable amounts based on age of debt and past default experience.

14. CASH AND CASH EQUIVALENTS

	31 December 2017 £'000	31 December 2016 £'000
Cash at bank and in hand	4,046	1,436

15. CREDITORS

CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2017 £'000	31 December 2016 £'000
Trade creditors	3,105	3,635
Amounts owed to Group undertakings	1,661	1,825
Other taxes and social security	492	185
Other creditors	1,064	429
Accruals and deferred income	172	2,090
	6,494	8,164

15. CREDITORS (continued)

CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN 1 YEAR

	31 December 2017 £'000	31 December 2016 £'000
Other creditors	87	110
Amounts owed to Group undertakings	3,408	3,406
	3,495	3,516

Amounts owed to Group undertakings include a balance of 3,408,154 carrying interest at Bank of England base rate +5.5% (Period ending 31 December 2016: £3,405,350) carrying interest at EURIBOR +2%), which is unsecured and repayable on 30 September 2024. Remaining balances are interest free, and unsecured.

16. PROVISIONS FOR LIABILITIES

	Warranty £'000	Dilapidations £'000	Other £'000	Total £'000
At 1 January 2017	63	1,707	66	1,836
Charged to the income statement	5			5
Utilised during the period	(2)	(673)	(66)	(741)
At 31 December 2017	66	1,034	-	1,100

Analysis of total provision:

	£'000
Current	128
Non-Current	972
	1,100

As at 31 December 2016 £1,011,000 of warranty provision was included within accruals.

Warranty costs are provided for on the basis of known claims and on estimates, based upon past experience, of possible future claims which could arise over the life of the products sold. Dilapidations relate to the cost of putting property back in its original condition at the end of its lease term. It is expected that the warranty provision will be utilised within the next 4 years. The dilapidation provision is expected to be utilised over the lease terms of the related properties, which terminate (or break) between 2016 and 2018.

17. DEFERRED TAXATION

Deferred taxation recognised in the financial statements

	31 December 2017 £'000	31 December 2016 £'000
Depreciation in excess of capital allowances	535	-
Temporary differences	4	-
	539	-

15. CREDITORS (continued)

CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN 1 YEAR

	31 December 2017 £'000	31 December 2016 £'000
Other creditors	87	110
Amounts owed to Group undertakings	3,408	3,406
	3,495	3,516

Amounts owed to Group undertakings include a balance of 3,408,154 carrying interest at Bank of England base rate +5.5% (Period ending 31 December 2016: £3,405,350) carrying interest at EURIBOR +2%), which is unsecured and repayable on 30 September 2024. Remaining balances are interest free, and unsecured.

16. PROVISIONS FOR LIABILITIES

	Warranty £'000	Dilapidations £'000	Other £'000	Total £'000
At 1 January 2017	63	1,707	66	1,836
Charged to the income statement	5			5
Utilised during the period	(2)	(673)	(66)	(741)
At 31 December 2017	66	1,034	-	1,100

Analysis of total provision:

	£'000
Current	128
Non-Current	972
	1,100

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

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

17. DEFERRED TAXATION

Deferred taxation recognised in the financial statements

	31 December 2017 £'000	31 December 2016 £'000
Depreciation in excess of capital allowances	535	-
Temporary differences	4	-
	539	-

17. DEFERRED TAXATION (continued)

Due to the forecast profitability profile of the group, 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 period.

Deferred taxation NOT recognised in the financial statements

	31 December 2017 £'000	31 December 2016 £'000
Depreciation in excess of capital allowances	-	551
Temporary differences	10	3
	10	554

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

18. CALLED UP SHARE CAPITAL

ALLOTTED, ISSUED AND FULLY PAID

	31 December 2017 £'000	31 December 2016 £'000
250,000 (31 December 2016: 250,000) Ordinary shares of £1 each	250	250

19. LEASE COMMITMENTS

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

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

	31 December 2017 £'000	31 December 2016 £'000
Future minimum rentals payable under non-cancellable operating leases:		
Not later than one year	687	803
After one but not more than five years	2,039	2,142
After five years	220	626
	2,946	3,571

20. CONTINGENT LIABILITIES

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

The Company has cross-guaranteed the repayment of bank loans and overdrafts of certain entities in the Survitec Acquisition Company Limited group amounting to £438,896,000 (Period ended 31 December 2016: £411,983,000).

The Company has guarantees and performance bonds outstanding amounting to £628,139 (Period ended 31 December 2016: £400,100).

21. ULTIMATE PARENT COMPANY

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

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

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

22. ULTIMATE CONTROLLING COMPANY

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